

**BRAC Bank Limited**

Independent Auditor's Report and Consolidated  
& Separate Financial Statements  
as at and for the year ended 31 December 2018



**Rahman Rahman Huq**  
**Chartered Accountants**  
9 & 5 Mohakhali C/A  
Dhaka 1212  
Bangladesh

Telephone +880 (2) 988 6450-2  
Fax +880 (2) 988 6449  
E-mail dhaka@kpmg.com  
Internet www.kpmg.com/bd

## **Independent Auditor's Report**

### **To the Shareholders of BRAC Bank Limited**

#### **Report on the Audit of the Consolidated and Separate Financial Statements**

##### **Opinion**

We have audited the consolidated financial statements of BRAC Bank Limited and its subsidiaries (the "Group") as well as the separate financial statements of BRAC Bank Limited (the "Bank"), which comprise the consolidated and separate balance sheets as at 31 December 2018 and the consolidated and separate profit and loss accounts, consolidated and separate statements of changes in equity and consolidated and separate cash flow statements for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and separate financial statements of the Bank give a true and fair view of the consolidated balance sheet of the Group and the separate balance sheet of the Bank as at 31 December 2018, and of its consolidated and separate profit and loss accounts and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 2.

##### **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 Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), Bangladesh Securities and Exchange Commission (BSEC) 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. A137

##### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| <b>1. Measurement of provision for loans and advances</b>   |  |
|---|--|
| See notes no. 2.7.1.3, 7.12 and 17.1 to the financial statements.   |  |
| <b>The key audit matter</b>   | <b>How the matter was addressed in our audit</b>   |
| The process of estimating provision for loans and advances associated with credit risk is judgmental and complex. While estimating such provision certain judgmental factors need to be considered including: <ul style="list-style-type: none"><li>• Future business performance of the borrower;</li><li>• Key assumptions relating to further business performance of the borrower;</li><li>• Market value of the collateral; and</li><li>• Ability to repossess collateral.</li></ul> | We tested the design and operating effectiveness of key controls focusing on the following: <ul style="list-style-type: none"><li>• Tested the credit monitoring and provisioning process;</li><li>• Identification of loss events, including early warning and default warning indicators; and</li><li>• Reviewed quarterly Classification of Loans (CL).</li></ul> |



**Independent Auditor's Report (continued)**

| <b>1. Measurement of provision for loans and advances (continued)</b>   |  |
|---|--|
| See notes no. 2.7.1.3, 7.12 and 17.1 to the financial statements.   |  |
| <b>The key audit matter</b>   | <b>How the matter was addressed in our audit</b>   |
| <p>Furthermore, these provisions are processed manually using the voluminous data extracted from the IT system of the Bank and following the instructions of Bangladesh Bank (the central bank of Bangladesh) issued time to time.</p> <p>Due to high level of judgement involved and using some manual process in estimating the provision for loans and advance, we considered this to be a key audit matter.</p> <p>At year end the Group and Bank reported total gross loans and advances of BDT 238,400 million (2017: BDT 203,431 million) and BDT 238,008 million (BDT 202,559 million) respectively and provision for loans and advances of BDT 8,639 million (2017: BDT 9,058 million) and BDT 7,580 million (2017: BDT 7,999 million) respectively.</p> | <p>Our substantive procedures in relation to the provision for loans and advances portfolio comprised the following:</p> <ul style="list-style-type: none"> <li>• Reviewed the adequacy of the companies general and specific provisions;</li> <li>• Assessed the methodologies on which the provision amounts based, recalculated the provisions and tested the completeness and accuracy of the underlying information; and</li> <li>• Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.</li> </ul> |
| <b>2. Valuation of treasury bill and treasury bond</b>  |  |
| See note no 2.7.1.2; 6.1.2; 6.1.3 to the financial statements.  |  |
| <b>The key audit matter</b>   | <b>How the matter was addressed in our audit</b>   |
| <p>The classification and measurement of treasury bill and treasury bond require significant judgment and complex estimates.</p> <p>In the absence of quoted price in an active market, the fair value of treasury bill and treasury bond is determined using complex valuation techniques which takes into consideration of direct or indirect unobservable market data and complex pricing models.</p>  | <p>We tested the design and operating effectiveness of key controls focusing on the classification and measurement of treasury bill and treasury bond.</p> <p>We tested a sample of the valuation models and the inputs used in those models using a variety of techniques applicable in the circumstances.</p> <p>Finally we have assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.</p>  |

**Independent Auditor's Report (continued)**

**3. Measurement of deferred tax assets**

See note no 2.5.2; 9.4 to the financial statements.

| The key audit matter  | How the matter was addressed in our audit  |
|---|--|
| <p>The Group and the Bank have reported net deferred tax assets to totaling BDT 1,840 million (2017: BDT 1,885 million) and BDT 1,558 million (2017: BDT 1,603 million) respectively as at 31 December 2018.</p> <p>Significant judgment is required in relation to deferred tax assets as their recoverability is dependent on forecasts of future profitability over a number of years.</p> | <p>We obtained an understanding of the Group and the Bank's key controls over the recognition and measurement of deferred tax assets and the assumptions used in estimating the Group and Bank's future taxable income.</p> <p>We also assessed the completeness and accuracy of the data used for the estimations of future taxable income.</p> <p>We involved tax specialists to assess key assumptions, controls, recognition and measurement of DTA's.</p> <p>Finally we assessed the appropriateness and presentation of disclosures as per IAS 12 <i>Income Tax</i>.</p> |

**4. Legal and regulatory matters**

| The key audit matter   | How the matter was addressed in our audit   |
|--|---|
| <p>We focused on legal and regulatory matters because the Group and the Bank operate in a legal and regulatory environment that is exposed to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may be difficult to predict.</p> <p>These uncertainties inherently affect the amount and timing of potential outflows with respect to the provisions and other contingent liabilities.</p> | <p>We obtained an understanding of the Group and the Bank's key controls over the legal provision and contingencies process.</p> <p>We enquired to those charged with governance to obtain their view on the status of all significant litigation and regulatory matters.</p> <p>We enquired of the Bank's internal legal counsel for all significant litigation and regulatory matters and inspected internal notes and reports. We also received formal confirmations from external counsel.</p> <p>We assessed the methodologies on which the provision amounts are based, recalculated the provisions, and tested the completeness and accuracy of the underlying information.</p> <p>We also assessed the Bank's provisions and contingent liabilities disclosure.</p> |



**Independent Auditor's Report (continued)**

|   |   |
|---|---|
| <b>5. IT systems and controls</b>   |   |
| See note no 2.15.6 to the financial statements.   |   |
| <b>The key audit matter</b>   | <b>How the matter was addressed in our audit</b>  |
| <p>Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and manual with automated (IT dependent) controls.</p> <p>We have focused on user access management, developer access to the production environment and changes to the IT environment. These are key to ensure that manual with automated control and automated controls are operating effectively.</p>  | <p>We tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting. We tested IT general controls (logical access, changes management and aspects of IT operational controls). We have performed testing to ensure that requests for access to systems were appropriately reviewed and authorised. We tested the Bank's periodic review of access rights. We also inspected requests of changes to systems for appropriate approval and authorisation. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.</p> <p>Where deficiencies were identified, we tested compensating controls or performed alternate procedures. In addition, we understood where relevant, changes were made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting.</p> |
| <b>6. Carrying value of investments in subsidiaries by the Bank</b>   |   |
| See note no 2.7.1.2; 2.7.1.2.1 and 9.2 to the financial statements.   |   |
| <b>The key audit matter</b>   | <b>How the matter was addressed in our audit</b>  |
| <p>The Bank has invested in equity shares of its subsidiaries namely BRAC EPL Investments Limited, BRAC EPL Stock Brokerage Limited, bKash Limited and BRAC SAAJAN Exchange Limited. As at 31 December 2018 the carrying value of these investment is BDT 4,462 million.</p> <p>The Bank is required to perform impairment test of investment in subsidiary when impairment indication exists. The impairment testing is considered to be a key audit matter due to the complexity and judgements required in determining the assumptions to be used to estimate the recoverable amount which is higher of fair value less costs to sell and value in use.</p> <p>Management has conducted impairment assessment and calculated recoverable value of its subsidiary for BRAC EPL Investments Limited only in accordance with IAS 36 as there is no impairment indications for investment in other subsidiaries.</p> | <p>We have reviewed management's analysis of impairment assessment and recoverable value calculation of subsidiaries in accordance with IAS 36 <i>Impairment of Assets</i>.</p> <p>We have analysed the appropriateness of the value in use model, the key assumptions used in the model, the reasonably possible alternative assumptions, particularly where they had the most impact on the value in use calculation.</p>   |



**Independent Auditor's Report (continued)**

| <b>7. Impairment testing of goodwill</b>  |   |
|---|---|
| See note no 2.7.1.7; 11 and 38.1 to the financial statements.   |   |
| <b>The key audit matter</b>   | <b>How the matter was addressed in our audit</b>  |
| <p>The Group has recognised goodwill BDT 1,427 million (2017: BDT 1,351 million).</p> <p>The goodwill has arisen from BRAC EPL Stock Brokerage Limited, BRAC EPL Investments Limited and BRAC SAAJAN Exchange Limited.</p> <p>The annual impairment testing of goodwill is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgement required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of the CGUs, which is based on the higher of the value in use or fair value less costs to sell, has been derived from discounted forecast cash flow models. These models use several key assumptions, including estimates of revenue, operating costs, terminal value, growth rates and the weighted-average cost of capital (discount rate).</p> | <p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>evaluating the appropriateness of the assumptions applied to key inputs such as revenue, operating costs, inflation and long-term growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry;</li> <li>performing our own sensitivity analysis, which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows to evaluate the impact on recoverable amount of CGU; and</li> <li>evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.</li> </ul> |

**Other Matter**

The consolidated financial statements of the Group and also separate financial statements of the Bank as at and for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 22 March 2018.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the consolidated and separate financial statements and our auditor's 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 consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate 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 consolidated and separate 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 to those charged with governance.



#### **Independent Auditor's Report (continued)**

---

##### **Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements and Internal Controls**

Management is responsible for the preparation of the consolidated financial statements of the Group and also separate financial statements of the Bank that give a true and fair view in accordance with IFRSs as explained in note 2, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error. The Bank Company Act, 1991 and the Bangladesh Bank Regulations require the management to ensure effective internal audit, internal control and risk management functions of the Group and 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 consolidated and separate financial statements, management is responsible for assessing the Group's and 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 Group and the Bank or to cease operations, or has no realistic alternative but to do so.

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

##### **Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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.

**Independent Auditor's Report (continued)**

---

- 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 Group's and 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 consolidated and separate 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 Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



**Independent Auditor's Report (continued)**

---

**Report on other Legal and Regulatory Requirements**

In accordance with the Companies Act, 1994, the Securities and Exchange Rules 1987, the Bank Company Act, 1991 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 Responsibilities for the Audit of the Consolidated and Separate Financial Statements section in forming the above opinion on the consolidated financial statements of the Group and the separate 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 Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements and Internal Controls for the financial statements and internal control:
  - (a) internal audit, internal control and risk management arrangements of the Group and 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 and its related entities.
- (iii) financial statements for the year ended 31 December 2018 of two subsidiaries namely BRAC EPL Investments Limited, BRAC EPL Stock Brokerage Limited and one associate namely BRAC IT Services Limited has been audited by A. Qasem & Co., Chartered Accountants and other two subsidiaries namely bKash Limited and BRAC SAAJAN Exchange Limited have been audited by us and Reddy Siddiqui & Kabani respectively and have been properly reflected in the consolidated financial statements;
- (iv) in our opinion, proper books of accounts as required by law have been kept by the Group and the Bank so far as it appeared from our examination of those books;
- (v) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (vi) the consolidated balance sheet and consolidated profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- (vii) the expenditures incurred by the Bank were for the purpose of the Bank's business for the year;
- (viii) the consolidated financial statements of the Group and the separate 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;
- (ix) adequate provisions have been made for advance and other assets which are in our opinion, doubtful of recovery;

**Independent Auditor's Report (continued)**

- (x) the information and explanations required by us have been received and found satisfactory;
- (xi) we have reviewed over 80% of the risk weighted assets of the Bank and spent over 7,200 person hours; and
- (xii) Capital to Risk-weighted Asset Ratio (CRAR) as required by Bangladesh Bank has been maintained adequately during the year.

The engagement partner on the audit resulting in this independent auditor's report is M. Mehedi Hasan.

Dhaka, 21 March 2019





**BRAC Bank Limited and its subsidiaries**  
**Consolidated Balance Sheet**  
**As at 31 December 2018**

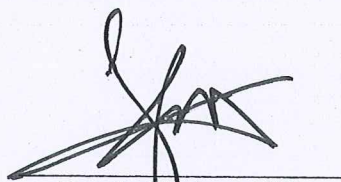
| Particulars  | Note | 2018<br>Taka           | 2017<br>Taka           |
|--|------|------------------------|------------------------|
| <b>PROPERTY AND ASSETS</b>   |      |                        |                        |
| <b>Cash</b>  | 3    | <b>22,394,474,142</b>  | <b>18,301,854,032</b>  |
| Cash in hand (Including foreign currency)  |      | 6,674,699,654          | 6,109,792,050          |
| Balance with Bangladesh Bank and its agent bank(s)<br>(Including foreign currency) |      | 15,719,774,488         | 12,192,061,982         |
| <b>Balance with other banks and financial institutions</b>                         | 4    | <b>44,651,943,921</b>  | <b>43,355,772,365</b>  |
| Inside Bangladesh  |      | 41,918,719,170         | 39,974,980,085         |
| Outside Bangladesh   |      | 2,733,224,751          | 3,380,792,280          |
| <b>Money at call on short notice</b>   | 5    | <b>-</b>               | <b>-</b>               |
| <b>Investments</b>   | 6    | <b>35,133,273,327</b>  | <b>26,889,161,707</b>  |
| Government   |      | 27,925,905,144         | 19,193,023,616         |
| Others   |      | 7,207,368,183          | 7,696,138,091          |
| <b>Loans and advances</b>  | 7    | <b>238,400,399,660</b> | <b>203,431,019,401</b> |
| Loans, cash credit, overdrafts etc.  |      | 139,883,617,667        | 116,620,559,298        |
| Small and medium enterprises   |      | 80,422,409,963         | 81,064,166,152         |
| Bills purchased & discounted   |      | 18,094,372,030         | 5,746,293,951          |
| <b>Fixed assets including premises, furniture and fixtures</b>                     | 8    | <b>6,265,160,203</b>   | <b>5,610,423,547</b>   |
| <b>Other assets</b>  | 9    | <b>9,665,434,144</b>   | <b>9,314,360,181</b>   |
| <b>Non-banking assets</b>  | 10   | <b>66,471,775</b>      | <b>63,430,075</b>      |
| <b>Goodwill</b>  | 11   | <b>1,427,468,911</b>   | <b>1,350,628,757</b>   |
| <b>Total property and assets</b>   |      | <b>358,004,626,083</b> | <b>308,316,650,065</b> |
| <b>LIABILITIES AND CAPITAL</b>   |      |                        |                        |
| <b>Liabilities</b>   |      |                        |                        |
| <b>Borrowings from other banks, financial institutions and agents</b>              | 12   | <b>22,958,478,616</b>  | <b>23,210,933,175</b>  |
| <b>Borrowings from Bangladesh Bank</b>   | 13   | <b>8,344,796,525</b>   | <b>5,595,585,766</b>   |
| <b>Convertible subordinated bonds</b>  | 14   | <b>-</b>               | <b>2,850,148,000</b>   |
| <b>Money at call on short notice</b>   | 15   | <b>-</b>               | <b>2,700,000,000</b>   |
| <b>Deposits and other accounts</b>   | 16   | <b>255,073,828,613</b> | <b>216,929,919,763</b> |
| Current accounts and other accounts  |      | 80,225,826,007         | 83,474,319,154         |
| Bills payable  |      | 1,528,433,733          | 1,013,749,416          |
| Savings deposits   |      | 38,320,761,103         | 35,100,923,580         |
| Fixed deposits   |      | 133,388,177,229        | 95,556,881,123         |
| Other deposits   |      | 1,610,630,541          | 1,784,046,490          |
| <b>Other liabilities</b>   | 17   | <b>29,927,337,027</b>  | <b>28,600,220,470</b>  |
| <b>Total liabilities</b>   |      | <b>316,304,440,781</b> | <b>279,886,807,174</b> |
| <b>Capital and shareholders' equity</b>  |      |                        |                        |
| Paid up capital  | 18.2 | 10,725,002,850         | 8,552,096,940          |
| Share premium  | 18.7 | 3,853,767,032          | 3,738,490,072          |
| Statutory reserve  | 19   | 6,428,088,086          | 4,813,606,868          |
| Dividend equalization fund   | 20   | 355,218,455            | 355,218,455            |
| Revaluation reserve on govt. securities  | 21.1 | 5,593,264              | 23,306,557             |
| Assets revaluation reserve   | 21.2 | 478,558,600            | 516,373,535            |
| Fair value reserve   |      | 78,920,073             | -                      |
| Translation reserve  |      | (17,674,822)           | (5,825,691)            |
| Surplus in profit and loss account/Retained earnings                               | 22.1 | 13,342,589,185         | 8,606,876,878          |
| <b>Total shareholders' equity</b>  |      | <b>35,250,062,723</b>  | <b>26,600,143,614</b>  |
| <b>Non controlling interest</b>  | 22.2 | <b>6,450,122,579</b>   | <b>1,829,699,277</b>   |
| <b>Total equity</b>  |      | <b>41,700,185,302</b>  | <b>28,429,842,891</b>  |
| <b>Total liabilities and equity</b>  |      | <b>358,004,626,083</b> | <b>308,316,650,065</b> |

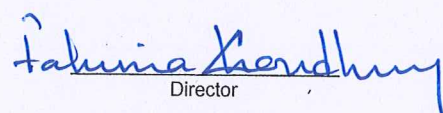


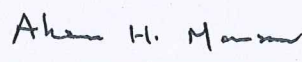
**BRAC Bank Limited and its subsidiaries**  
**Consolidated Balance Sheet**  
**As at 31 December 2018**

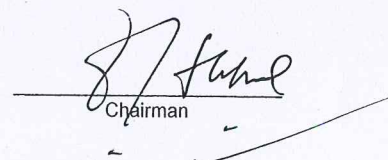
| Particulars   | Note | 2018<br>Taka          | 2017<br>Taka          |
|---|------|-----------------------|-----------------------|
| <b>Off balance sheet items</b>  |      |                       |                       |
| <b>Contingent liabilities</b>   |      |                       |                       |
| Acceptances and endorsements  | 23.1 | 31,170,526,059        | 21,855,158,644        |
| Irrevocable letters of credit   | 23.1 | 16,394,979,800        | 22,568,919,488        |
| Letter of guarantees  | 23.2 | 10,218,069,408        | 8,109,659,718         |
| Bills for collection  | 23.3 | 5,092,871,749         | 4,015,469,603         |
| Other contingent liabilities  |      | 16,666,535,551        | 11,701,210,934        |
| <b>Total</b>  |      | <b>79,542,982,567</b> | <b>68,250,418,387</b> |
| <b>Other commitments</b>  |      |                       |                       |
| 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 |      | -                     | -                     |
| <b>Total</b>  |      | <b>-</b>              | <b>-</b>              |
| <b>Total off balance sheet items including contingent liabilities</b> |      | <b>79,542,982,567</b> | <b>68,250,418,387</b> |

The annexed notes 1 to 48 form an integral part of these financial statements.

  
 Managing Director and CEO

  
 Director

  
 Director

  
 Chairman

As per our report of same date.

Dhaka, 21 March 2019





Auditor

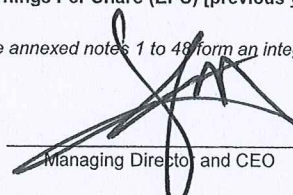

**Rahman Rahman Huq**  
**Chartered Accountants**



**BRAC Bank Limited and its subsidiaries**  
**Consolidated Profit and Loss Account**  
**For the year ended 31 December 2018**


| Particulars   | Note   | 2018<br>Taka          | 2017<br>Taka          |
|---|--------|-----------------------|-----------------------|
| Interest income   | 25     | 27,463,966,939        | 21,734,412,978        |
| Interest paid on deposits and borrowing etc.                            | 26     | 11,660,482,140        | 8,200,931,514         |
| <b>Net interest income</b>  |        | <b>15,803,484,799</b> | <b>13,533,481,464</b> |
| Investment income   | 27     | 2,782,984,186         | 2,914,699,537         |
| Commission, exchange and brokerage                                      | 28     | 7,226,644,875         | 6,881,929,480         |
| Other operating income  | 29     | 194,608,406           | 371,289,964           |
| <b>Total operating income (a)</b>                                       |        | <b>26,007,722,266</b> | <b>23,701,400,445</b> |
| Salaries and allowances   | 30     | 6,436,945,569         | 5,865,172,038         |
| Rent, taxes, insurance, electricity etc.                                | 31     | 1,532,970,820         | 1,424,790,306         |
| Legal expenses  |        | 76,193,857            | 45,674,049            |
| Postage, stamps, telecommunication etc.                                 | 32     | 321,719,919           | 300,037,460           |
| Stationery, printing, advertisement etc.                                | 33     | 2,169,679,696         | 1,392,850,352         |
| Chief executive's salary and fees                                       | 34     | 13,971,499            | 13,309,000            |
| Directors' fees   | 35     | 3,009,464             | 3,311,536             |
| Auditors' fee   | 36     | 6,305,738             | 5,251,088             |
| Depreciation and repair of the Bank's assets                            | 37     | 2,026,717,532         | 1,525,706,898         |
| Other expenses  | 38     | 4,026,750,022         | 3,702,838,829         |
| <b>Total operating expenses (b)</b>                                     |        | <b>16,614,264,116</b> | <b>14,278,941,556</b> |
| <b>Operating profit (c = a-b)</b>                                       |        | <b>9,393,458,150</b>  | <b>9,422,458,889</b>  |
| Share of profit of associates   | 39     | 1,915,700             | 14,332,840            |
| Loss on disposal/loss of control of subsidiaries                        |        | -                     | (18,366)              |
| <b>Profit/(loss) before provisions (d)</b>                              |        | <b>9,395,373,850</b>  | <b>9,436,773,363</b>  |
| Provision for loans/investments:  |        |                       |                       |
| Loans and advances  |        | 683,745,138           | 992,782,725           |
| Diminution in value of investments                                      |        | 116,400,000           | (72,224,112)          |
| Off balance sheet items   |        | (37,000,000)          | 131,315,329           |
| Other provisions  |        | (10,762,161)          | 100,490,994           |
| <b>Total provision (e)</b>  | 40     | <b>752,382,977</b>    | <b>1,152,364,936</b>  |
| <b>Total profit/(loss) before taxes (f= d-e)</b>                        |        | <b>8,642,990,873</b>  | <b>8,284,408,427</b>  |
| Provision for taxation:   |        |                       |                       |
| Current tax expense   |        | 2,994,171,667         | 3,570,883,968         |
| Deferred tax expense / (income)   |        | (21,249,563)          | (784,891,580)         |
| <b>Total provision for taxation (g)</b>                                 | 41     | <b>2,972,922,104</b>  | <b>2,785,992,388</b>  |
| <b>Net profit/(loss) after taxation (f-g)</b>                           |        | <b>5,670,068,769</b>  | <b>5,498,416,039</b>  |
| <b>Attributable to:</b>   |        |                       |                       |
| Equity holders of BRAC Bank Limited                                     |        | 5,546,423,706         | 5,192,790,974         |
| Non controlling interest  | 22.2.1 | 123,645,063           | 305,625,065           |
|   |        | <b>5,670,068,769</b>  | <b>5,498,416,039</b>  |
| Retained earnings brought forward from previous year                    |        | 8,606,876,878         | 6,934,903,963         |
| Net profit attributable to the equity holders of the Bank               |        | 5,546,423,706         | 5,192,790,974         |
| Net effect of all items directly recognized in Equity-retained earnings | 22.1.1 | 2,948,770,389         | (39,537,288)          |
| Profit available for appropriation                                      |        | <b>17,102,070,973</b> | <b>12,088,157,649</b> |
| <b>Appropriations:</b>  |        |                       |                       |
| Statutory reserve   |        | 1,614,481,218         | 1,343,256,536         |
| General reserve   |        | -                     | -                     |
| Dividend  |        | 2,145,000,570         | 2,138,024,235         |
|   |        | 3,759,481,788         | 3,481,280,771         |
| <b>Retained surplus</b>   |        | <b>13,342,589,185</b> | <b>8,606,876,878</b>  |
| <b>Earnings Per Share (EPS) [previous year's figure restated]</b>       | 42     | <b>5.17</b>           | <b>4.86</b>           |

The annexed notes 1 to 48 form an integral part of these financial statements.

  
Managing Director and CEO  
  
Director

  
Director  
  
Chairman.

As per our report of same date.

  
Auditor

Dhaka, 21 March 2019





BRAC Bank Limited and its subsidiaries  
Consolidated Statement of Changes in Equity  
For the year ended 31 December 2018

| Particulars  | Paid up capital | Share premium | Statutory reserve | Dividend equalization fund | Revaluation reserve on Govt. securities | Assets revaluation reserve | Fair value reserve | Translation reserve | Retained earnings | Non-controlling interest | Amount in Taka |
|--|-----------------|---------------|-------------------|----------------------------|---|----------------------------|--------------------|---------------------|-------------------|--------------------------|----------------|
| Balance as at 1 January 2018                                       | 8,552,096,940   | 3,738,490,072 | 4,813,606,868     | 355,218,455                | 23,306,557                              | 516,373,535                | -                  | (5,825,691)         | 8,606,876,878     | 1,829,699,277            | 28,423,842,891 |
| Changes in accounting policy                                       | -               | -             | -                 | -                          | -                                       | -                          | -                  | -                   | -                 | -                        | -              |
| Restated balance   | 8,552,096,940   | 3,738,490,072 | 4,813,606,868     | 355,218,455                | 23,306,557                              | 516,373,535                | -                  | (5,825,691)         | 8,606,876,878     | 1,829,699,277            | 28,423,842,891 |
| Surplus on account of revaluation of assets                        | -               | -             | -                 | -                          | -                                       | 4,094,815                  | -                  | -                   | -                 | -                        | 4,094,815      |
| Recognition of deferred tax on revaluation reserve of fixed assets | -               | -             | -                 | -                          | -                                       | (41,909,750)               | -                  | -                   | -                 | -                        | (41,909,750)   |
| Surplus/(deficit) on account of revaluation of investments         | -               | -             | -                 | -                          | (17,713,293)                            | -                          | -                  | -                   | -                 | -                        | (17,713,293)   |
| Ordinary share issue against bond conversion                       | 27,905,340      | -             | -                 | -                          | -                                       | -                          | -                  | -                   | -                 | -                        | 27,905,340     |
| Share premium issue against bond conversion                        | -               | 115,276,960   | -                 | -                          | -                                       | -                          | -                  | -                   | -                 | -                        | 115,276,960    |
| Changes in translation reserve                                     | -               | -             | -                 | -                          | -                                       | -                          | 78,920,073         | (11,849,131)        | -                 | -                        | (14,798,367)   |
| Fair value reserve   | -               | -             | -                 | -                          | -                                       | -                          | -                  | -                   | -                 | (2,949,236)              | 81,688,970     |
| Remeasurements of defined benefits liability (assets)              | -               | -             | -                 | -                          | -                                       | -                          | -                  | -                   | 7,038,209         | 8,768,897                | (4,473,286)    |
| Effect of change in preference share of bkash                      | -               | -             | -                 | -                          | -                                       | -                          | -                  | -                   | 2,941,732,180     | (11,511,495)             | 2,941,732,180  |
| Net gains and losses not recognized in the income statement        | 8,580,002,280   | 3,853,767,032 | 4,813,606,868     | 355,218,455                | 5,593,264                               | 478,558,600                | 78,920,073         | (17,674,822)        | 11,555,647,267    | 6,326,477,516            | 36,030,116,533 |
| Net profit for the year  | -               | -             | -                 | -                          | -                                       | -                          | -                  | -                   | 5,546,423,706     | 123,645,063              | 5,670,068,769  |
| Dividend for the year 2017:  | -               | -             | -                 | -                          | -                                       | -                          | -                  | -                   | -                 | -                        | -              |
| Stock dividend   | -               | -             | -                 | -                          | -                                       | -                          | -                  | -                   | -                 | -                        | -              |
| Cash dividend  | 2,145,000,570   | -             | -                 | -                          | -                                       | -                          | -                  | -                   | (2,145,000,570)   | -                        | -              |
| Dividend equalization fund   | -               | -             | -                 | -                          | -                                       | -                          | -                  | -                   | -                 | -                        | -              |
| Statutory reserve  | -               | -             | 1,614,481,218     | -                          | -                                       | -                          | -                  | -                   | -                 | -                        | -              |
| Balance as at 31 December 2018                                     | 10,725,002,850  | 3,853,767,032 | 6,428,088,086     | 355,218,455                | 5,593,264                               | 478,558,600                | 78,920,073         | (17,674,822)        | 13,342,588,185    | 6,450,122,579            | 41,700,185,302 |

For the year ended 31 December 2017

| Particulars   | Paid up capital | Share premium | Statutory reserve | Dividend equalization fund | Revaluation reserve on Govt. securities | Assets revaluation reserve | Fair value reserve | Translation reserve | Retained earnings | Non-controlling interest | Amount in Taka |
|---|-----------------|---------------|-------------------|----------------------------|---|----------------------------|--------------------|---------------------|-------------------|--------------------------|----------------|
| Balance as at 1 January 2017                                  | 7,104,369,100   | 3,659,942,031 | 3,470,350,332     | 355,218,455                | 111,643,709                             | 516,373,535                | -                  | (19,611,143)        | 6,954,515,106     | 1,587,099,687            | 23,739,900,812 |
| Changes in accounting policy                                  | -               | -             | -                 | -                          | -                                       | -                          | -                  | -                   | -                 | -                        | -              |
| Restated balance  | 7,104,369,100   | 3,659,942,031 | 3,470,350,332     | 355,218,455                | 111,643,709                             | 516,373,535                | -                  | (19,611,143)        | 6,954,515,106     | 1,587,099,687            | 23,739,900,812 |
| Surplus/deficit on account of revaluation of assets           | -               | -             | -                 | -                          | (88,337,152)                            | -                          | -                  | -                   | -                 | -                        | (88,337,152)   |
| Surplus/deficit on account of revaluation of investments      | -               | -             | -                 | -                          | -                                       | -                          | -                  | -                   | -                 | -                        | 22,378,350     |
| Ordinary share issue against bond conversion                  | 22,378,350      | -             | -                 | -                          | -                                       | -                          | -                  | -                   | -                 | -                        | 78,548,041     |
| Share premium issue against bond conversion                   | -               | 78,548,041    | -                 | -                          | -                                       | -                          | -                  | -                   | -                 | -                        | 18,380,603     |
| Changes in translation reserve                                | -               | -             | -                 | -                          | -                                       | -                          | -                  | 13,785,452          | -                 | 4,595,151                | (121,308,934)  |
| Effect of change of shareholding in subsidiaries              | -               | -             | -                 | -                          | -                                       | -                          | -                  | -                   | (53,688,308)      | -                        | (224,508,300)  |
| Dividend of BRAC EPL Stock Brokerage Ltd.                     | -               | -             | -                 | -                          | -                                       | -                          | -                  | -                   | 224,508,300       | -                        | 224,508,300    |
| Reserve for stock dividend from BRAC EPL Stock Brokerage Ltd. | -               | -             | -                 | -                          | -                                       | -                          | -                  | -                   | 6,900,826,798     | -                        | 6,900,826,798  |
| Net gains and losses not recognized in the income statement   | 7,126,747,450   | 3,738,490,072 | 3,470,350,332     | 355,218,455                | 23,306,557                              | 516,373,535                | -                  | (5,825,691)         | 5,192,790,974     | 1,524,074,212            | 23,649,561,720 |
| Net profit for the year                                       | -               | -             | -                 | -                          | -                                       | -                          | -                  | -                   | 305,625,065       | -                        | 5,498,416,039  |
| Dividend for the year 2016:                                   | -               | -             | -                 | -                          | -                                       | -                          | -                  | -                   | -                 | -                        | -              |
| Stock dividend  | -               | -             | -                 | -                          | -                                       | -                          | -                  | -                   | -                 | -                        | -              |
| Cash dividend   | 1,425,349,490   | -             | -                 | -                          | -                                       | -                          | -                  | -                   | (1,425,349,490)   | -                        | -              |
| Dividend equalization fund                                    | -               | -             | -                 | -                          | -                                       | -                          | -                  | -                   | (712,674,745)     | -                        | (712,674,745)  |
| Statutory reserve   | -               | -             | 1,343,256,536     | -                          | -                                       | -                          | -                  | -                   | (1,343,256,536)   | -                        | -              |
| Cash dividend distributed by BRAC SAAJAN Exchange Limited     | -               | -             | -                 | -                          | -                                       | -                          | -                  | -                   | (5,480,123)       | -                        | (5,480,123)    |
| Balance as at 31 December 2017                                | 8,552,096,940   | 3,738,490,072 | 4,813,606,868     | 355,218,455                | 23,306,557                              | 516,373,535                | -                  | (5,825,691)         | 8,606,876,878     | 1,829,699,277            | 28,423,842,891 |

The annexed notes 1 to 48 form an integral part of these financial statements.





**BRAC Bank Limited and its subsidiaries**  
**Consolidated Cash Flow Statement**  
**For the year ended 31 December 2018**

| Particulars  | Note | 2018<br>Taka            | 2017<br>Taka           |
|--|------|-------------------------|------------------------|
| <b>A. Cash flows from operating activities</b>                                   |      |                         |                        |
| Interest receipts in cash  |      | 28,506,784,368          | 23,845,509,932         |
| Interest payment   |      | (9,444,568,536)         | (7,843,426,431)        |
| Dividend receipts  |      | 130,303,495             | 125,764,206            |
| Fees and commission receipts in cash   |      | 9,734,938,068           | 6,959,743,854          |
| Recoveries on loans previously written off                                       |      | 783,059,719             | 1,039,185,296          |
| Cash payments to employees   |      | (6,442,614,761)         | (5,781,431,137)        |
| Cash payments to suppliers   |      | (4,474,810,215)         | (2,502,587,138)        |
|  |      | (6,237,375,921)         | (2,525,997,559)        |
| Receipts from other operating activities   | 44   | 1,274,506,265           | 1,890,333,780          |
| Payment for other operating activities   | 45   | (4,741,384,440)         | (4,744,293,106)        |
| <b>Operating profit before changes in operating assets and liabilities (i)</b>   |      | <b>9,088,838,042</b>    | <b>10,462,801,697</b>  |
| <b>Increase/(decrease) in operating assets and liabilities</b>                   |      |                         |                        |
| Loans and advances   |      | (35,188,943,781)        | (28,265,949,664)       |
| Other assets   |      | (519,357,959)           | (1,490,251,550)        |
| Deposits from other banks/borrowings   |      | 2,253,364,069           | 1,738,848,780          |
| Deposits from customers  |      | 36,223,010,234          | 34,750,597,331         |
| Other liabilities  |      | (1,382,610,506)         | 4,178,314,409          |
| Cash utilized in operating assets and liabilities (ii)                           |      | 1,385,462,057           | 10,911,559,306         |
| <b>Net cash flows from operating activities (i+ii) (a)</b>                       |      | <b>10,474,300,099</b>   | <b>21,374,361,003</b>  |
| <b>B. Cash flows from investing activities</b>                                   |      |                         |                        |
| Treasury bills   |      | (12,328,600,474)        | (1,137,623,369)        |
| Bangladesh Bank bills  |      | 2,497,936,800           | (2,497,936,800)        |
| Treasury bonds   |      | 1,096,934,546           | 1,399,779,844          |
| Investment in shares   |      | (591,052,996)           | (1,674,766,424)        |
| Investment in bonds  |      | 927,000,000             | (67,000,000)           |
| Redemption of BBL bond   |      | (2,706,965,700)         | -                      |
| Acquisition of fixed assets  |      | (1,472,629,813)         | (2,083,299,438)        |
| Disposal of fixed assets   |      | 62,349,104              | 83,940,294             |
| <b>Net cash flows used in investing activities (b)</b>                           |      | <b>(12,515,028,533)</b> | <b>(5,976,905,893)</b> |
| <b>C. Cash flows from financing activities</b>                                   |      |                         |                        |
| Proceeds from issue of convertible preference shares                             |      | 7,444,202,254           | -                      |
| Share premium  |      | -                       | 4,614,731              |
| Cash dividend paid   |      | (347,296)               | (696,157,876)          |
| <b>Net cash flows from/(used in) financing activities (c)</b>                    |      | <b>7,443,854,958</b>    | <b>(691,543,145)</b>   |
| <b>Net increase in cash (a+b+c)</b>  |      | <b>5,403,126,524</b>    | <b>14,705,911,965</b>  |
| Cash and cash equivalents at the beginning of the year                           |      | 61,659,571,597          | 46,977,708,909         |
| Effect of exchange rate changes on cash and cash equivalent                      |      | (15,182,458)            | 28,633,697             |
| Adjustment for disposal of biTS  |      | -                       | (52,682,974)           |
| Cash and cash equivalents at the end of the year                                 | 43   | <b>67,047,515,663</b>   | <b>61,659,571,597</b>  |
| <b>Cash and cash equivalents at the end of the year:</b>                         |      |                         |                        |
| Cash in hand (including foreign currency)  |      | 6,674,699,654           | 6,109,792,050          |
| Balance with Bangladesh Bank and its agents bank(s) (including foreign currency) |      | 15,719,774,488          | 12,192,061,982         |
| Balance with other banks and financial institutions                              |      | 44,651,943,921          | 43,355,772,365         |
| Prize Bond   |      | 1,097,600               | 1,945,200              |
|  |      | <b>67,047,515,663</b>   | <b>61,659,571,597</b>  |

The annexed notes 1 to 48 form an integral part of these financial statements.





**BRAC Bank Limited and its subsidiaries**  
**Consolidated Liquidity Statement**  
**(Asset and Liability Maturity Analysis)**  
**As at 31 December 2018**

| Particulars  | 0 - 1<br>Month        | 1 - 3<br>Months       | 3 - 12<br>Months       | 1 - 5<br>Years        | Above 5<br>Years      | Total                  |
|--|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|------------------------|
| <b>Assets</b>  |                       |                       |                        |                       |                       |                        |
| Cash in hand and Balance with Bangladesh Bank                                      | 10,747,681,545        | -                     | -                      | -                     | 11,646,792,597        | 22,394,474,142         |
| Balance with other banks and financial Institutions (Including foreign currencies) | 11,422,716,156        | 13,433,079,882        | 19,796,147,883         | -                     | -                     | 44,651,943,921         |
| Money at call and short notice   | -                     | -                     | -                      | -                     | -                     | -                      |
| Investments  | 7,800,401,756         | 1,500,938,330         | 6,699,551,236          | 7,758,224,089         | 11,374,157,916        | 35,133,273,327         |
| Loans and advances   | 26,145,611,032        | 43,479,197,003        | 96,371,000,008         | 63,507,675,527        | 8,896,916,090         | 238,400,399,660        |
| Fixed assets including premises, furniture and fixtures                            | -                     | -                     | -                      | 5,276,346,484         | 988,813,719           | 6,265,160,203          |
| Other assets   | 2,984,967,360         | 124,197,285           | 1,470,527,678          | 873,762,859           | 4,211,978,962         | 9,665,434,144          |
| Non - banking assets   | -                     | -                     | -                      | 66,471,775            | -                     | 66,471,775             |
| Goodwill   | -                     | -                     | -                      | -                     | 1,427,468,911         | 1,427,468,911          |
| <b>Total Assets</b>  | <b>59,101,377,849</b> | <b>58,537,412,500</b> | <b>124,337,226,805</b> | <b>77,482,480,734</b> | <b>38,546,128,195</b> | <b>358,004,626,083</b> |
| <b>Liabilities</b>   |                       |                       |                        |                       |                       |                        |
| Borrowings from Bangladesh bank, other Banks, financial institutions and agents    | 1,817,328,613         | 9,854,357,615         | 12,216,615,264         | 6,925,545,149         | 489,428,500           | 31,303,275,141         |
| Convertible subordinated debts   | -                     | -                     | -                      | -                     | -                     | -                      |
| Money at call and short notice   | -                     | -                     | -                      | -                     | -                     | -                      |
| Deposits and other accounts  | 36,688,058,899        | 44,479,570,136        | 99,384,875,770         | 56,132,933,904        | 18,388,389,904        | 255,073,828,613        |
| Other liabilities  | 6,050,732,877         | 1,641,398,477         | 9,301,734,140          | 4,374,707,561         | 8,558,763,972         | 29,927,337,027         |
| Non-controlling interest   | -                     | -                     | -                      | -                     | 6,450,122,579         | 6,450,122,579          |
| <b>Total Liabilities</b>   | <b>44,556,120,389</b> | <b>55,975,326,228</b> | <b>120,903,225,174</b> | <b>67,433,186,614</b> | <b>33,886,704,955</b> | <b>322,754,563,360</b> |
| <b>Net liquidity Gap</b>   | <b>14,545,257,460</b> | <b>2,562,086,272</b>  | <b>3,434,001,631</b>   | <b>10,049,294,120</b> | <b>4,659,423,240</b>  | <b>35,250,062,723</b>  |

Net result of the Liquidity Statement represents the Equity attributable to the shareholders of the Bank.

The annexed notes 1 to 48 form an integral part of these financial statements.





**BRAC Bank Limited**  
**Balance Sheet**  
**As at 31 December 2018**

| Particulars  | Note | 2018<br>Taka           | 2017<br>Taka           |
|--|------|------------------------|------------------------|
| <b>PROPERTY AND ASSETS</b>   |      |                        |                        |
| <b>Cash</b>  | 3    | 22,374,550,269         | 18,284,483,347         |
| Cash in hand (Including foreign currency)  |      | 6,654,775,781          | 6,092,421,365          |
| Balance with Bangladesh Bank and its agent bank(s)<br>(Including foreign currency) |      | 15,719,774,488         | 12,192,061,982         |
| <b>Balance with other banks and financial institutions</b>                         | 4    | 14,878,545,136         | 19,396,241,229         |
| Inside Bangladesh  |      | 12,484,067,930         | 16,238,997,504         |
| Outside Bangladesh   |      | 2,394,477,206          | 3,157,243,725          |
| <b>Money at call on short notice</b>   | 5    | -                      | -                      |
| <b>Investments</b>   | 6    | 25,765,118,241         | 24,966,255,428         |
| Government   |      | 20,341,016,406         | 19,193,023,616         |
| Others   |      | 5,424,101,835          | 5,773,231,812          |
| <b>Loans and advances</b>  | 7    | 238,008,103,268        | 202,559,380,746        |
| Loans, cash credit, overdrafts etc.  |      | 139,491,321,275        | 115,748,920,643        |
| Small and medium enterprises   |      | 80,422,409,963         | 81,064,166,152         |
| Bills purchased & discounted   |      | 18,094,372,030         | 5,746,293,951          |
| <b>Fixed assets including premises, furniture and fixtures</b>                     | 8    | 4,300,651,117          | 4,275,180,860          |
| <b>Other assets</b>  | 9    | 10,023,235,468         | 9,642,147,911          |
| <b>Non-banking assets</b>  | 10   | 66,471,775             | 63,430,075             |
| <b>Total property and assets</b>   |      | <u>315,416,675,274</u> | <u>279,187,119,596</u> |
| <b>LIABILITIES AND CAPITAL</b>   |      |                        |                        |
| <b>Liabilities</b>   |      |                        |                        |
| <b>Borrowings from other banks, financial institutions &amp; agents</b>            | 12   | 22,958,478,616         | 23,210,933,175         |
| <b>Borrowings from Bangladesh Bank</b>   | 13   | 8,344,796,525          | 5,595,585,766          |
| <b>Convertible subordinated bonds</b>  | 14   | -                      | 2,850,148,000          |
| <b>Money at call on short notice</b>   | 15   | -                      | 2,700,000,000          |
| <b>Deposits and other accounts</b>   | 16   | 228,622,409,702        | 196,224,439,257        |
| Current accounts & other accounts  |      | 53,562,341,970         | 62,304,458,807         |
| Bills payable  |      | 1,528,433,733          | 1,013,749,416          |
| Savings deposits   |      | 38,320,761,103         | 35,100,923,580         |
| Fixed deposits   |      | 133,600,242,355        | 96,018,419,796         |
| Other deposits   |      | 1,610,630,541          | 1,786,887,658          |
| <b>Other liabilities</b>   | 17   | 23,853,038,592         | 22,615,207,423         |
| <b>Total Liabilities</b>   |      | <u>283,778,723,435</u> | <u>253,196,313,621</u> |
| <b>Capital and shareholders' equity</b>  |      |                        |                        |
| Paid up capital  | 18.2 | 10,725,002,850         | 8,552,096,940          |
| Share premium  | 18.7 | 3,853,767,032          | 3,738,490,072          |
| Statutory reserve  | 19   | 6,428,088,086          | 4,813,606,868          |
| Dividend equalization fund   | 20   | 355,218,455            | 355,218,455            |
| Revaluation reserve on govt. securities  | 21.1 | 5,593,264              | 23,306,557             |
| Assets revaluation reserve   | 21.2 | 478,558,600            | 516,373,535            |
| Translation reserve  |      | (3,001,421)            | -                      |
| Surplus in profit and loss account/Retained earnings                               | 22   | 9,794,724,973          | 7,991,713,548          |
| <b>Total shareholders' equity</b>  |      | <u>31,637,951,839</u>  | <u>25,990,805,975</u>  |
| <b>Total liabilities and shareholders' equity</b>                                  |      | <u>315,416,675,274</u> | <u>279,187,119,596</u> |

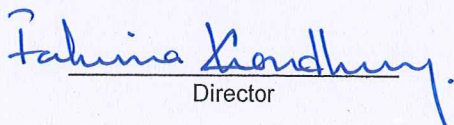


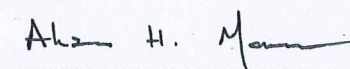
**BRAC Bank Limited**  
**Balance Sheet**  
**As at 31 December 2018**

| Particulars   | Note      | 2018<br>Taka          | 2017<br>Taka          |
|---|-----------|-----------------------|-----------------------|
| <b>Off balance sheet items</b>  |           |                       |                       |
| <b>Contingent liabilities</b>   |           |                       |                       |
| Acceptances and endorsements  | 23.1      | 31,170,526,059        | 21,855,158,644        |
| Irrevocable letters of credit   | 23.1      | 16,394,979,800        | 22,568,919,488        |
| Letter of guarantees  | 23.2      | 10,218,069,408        | 8,109,659,718         |
| Bills for collection  | 23.3      | 5,092,871,749         | 4,015,469,603         |
| Other contingent liabilities  |           | 16,666,535,551        | 11,701,210,934        |
| <b>Total</b>  | <b>23</b> | <b>79,542,982,567</b> | <b>68,250,418,387</b> |
| <b>Other Commitments</b>  |           |                       |                       |
| 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 |           | -                     | -                     |
| <b>Total</b>  |           | <b>-</b>              | <b>-</b>              |
| <b>Total off balance sheet items including contingent liabilities</b> |           | <b>79,542,982,567</b> | <b>68,250,418,387</b> |

The annexed notes 1 to 48 form an integral part of these financial statements.

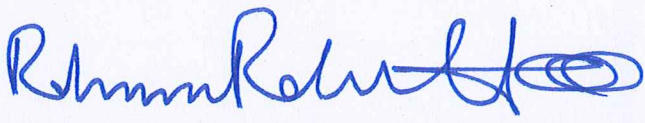
  
 Managing Director and CEO

  
 Director

  
 Director

  
 Chairman

As per our report of same date.

  
 Auditor

Dhaka, 21 March 2019



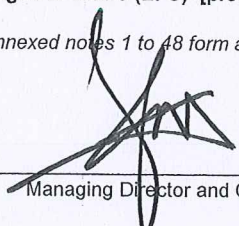
**Rahman Rahman Huq**  
**Chartered Accountants**

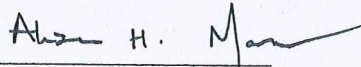


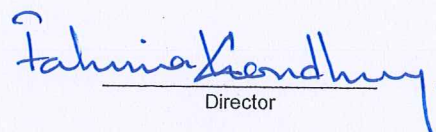
**BRAC Bank Limited**  
**Profit and Loss Account**  
For the year ended 31 December 2018

| Particulars   | Note | 2018<br>Taka          | 2017<br>Taka          |
|---|------|-----------------------|-----------------------|
| Interest income   | 25   | 25,090,005,051        | 20,498,331,789        |
| Interest paid on deposits and borrowing etc.                            | 26   | 11,574,281,608        | 8,350,693,368         |
| <b>Net interest income</b>  |      | <b>13,515,723,443</b> | <b>12,147,638,421</b> |
| Investment income   | 27   | 2,961,103,311         | 3,580,988,216         |
| Commission, exchange and brokerage                                      | 28   | 2,573,498,361         | 2,876,025,784         |
| Other operating income  | 29   | 114,597,871           | 105,028,580           |
| <b>Total operating income (a)</b>                                       |      | <b>19,164,922,986</b> | <b>18,709,681,001</b> |
| Salaries and allowances   | 30   | 4,681,288,758         | 4,346,525,111         |
| Rent, taxes, insurance, electricity etc.                                | 31   | 1,408,720,244         | 1,311,823,891         |
| Legal expenses  |      | 55,210,529            | 41,762,353            |
| Postage, stamps, telecommunication etc.                                 | 32   | 272,339,766           | 249,590,090           |
| Stationery, printing, advertisement etc.                                | 33   | 292,462,722           | 303,641,768           |
| Chief Executive's salary and fees                                       | 34   | 13,971,499            | 13,309,000            |
| Directors' fees   | 35   | 1,297,200             | 1,356,680             |
| Auditors' fee   | 36   | 1,644,500             | 1,469,703             |
| Depreciation and repair of the Bank's assets                            | 37   | 1,155,998,577         | 844,185,219           |
| Other expenses  | 38   | 2,459,714,775         | 2,546,177,562         |
| <b>Total operating expenses (b)</b>                                     |      | <b>10,342,648,570</b> | <b>9,659,841,377</b>  |
| <b>Profit before provisions (c = a-b)</b>                               |      | <b>8,822,274,416</b>  | <b>9,049,839,624</b>  |
| Provision for loans/Investments:  |      |                       |                       |
| Loans and advances  |      | 683,745,138           | 992,782,725           |
| Diminution in value of investments                                      |      | 116,400,000           | (72,224,112)          |
| Off balance sheet items   |      | (37,000,000)          | 131,315,329           |
| Other provisions  |      | (13,276,810)          | 100,490,994           |
| <b>Total provision (d)</b>  | 40   | <b>749,868,328</b>    | <b>1,152,364,936</b>  |
| <b>Total Profit/(loss) before taxes (e = c-d)</b>                       |      | <b>8,072,406,088</b>  | <b>7,897,474,688</b>  |
| Provision for taxation:   |      |                       |                       |
| Current tax expense   |      | 2,523,031,538         | 3,196,240,955         |
| Deferred tax expense / (income)   |      | 2,070,551             | (548,886,313)         |
| <b>Total provision for taxation (f)</b>                                 | 41   | <b>2,525,102,089</b>  | <b>2,647,354,642</b>  |
| <b>Net profit after taxation (e-f)</b>                                  |      | <b>5,547,303,999</b>  | <b>5,250,120,046</b>  |
| Retained earnings brought forward from previous period/year             |      | 7,991,713,548         | 6,222,874,273         |
| Net effect of all items directly recognized in Equity-retained earnings |      | 15,189,214            | -                     |
| <b>Profit available for appropriation</b>                               |      | <b>13,554,206,761</b> | <b>11,472,994,319</b> |
| <b>Appropriations:</b>  |      |                       |                       |
| Statutory reserve   |      | 1,614,481,218         | 1,343,256,536         |
| General reserve   |      | -                     | -                     |
| Dividend  |      | 2,145,000,570         | 2,138,024,235         |
| <b>Retained Surplus</b>   |      | <b>3,759,481,788</b>  | <b>3,481,280,771</b>  |
|   |      | <b>9,794,724,973</b>  | <b>7,991,713,548</b>  |
| <b>Earnings Per Share (EPS) [previous year's figure restated]</b>       | 42   | <b>5.17</b>           | <b>4.91</b>           |

The annexed notes 1 to 48 form an integral part of these financial statements.

  
Managing Director and CEO

  
Director

  
Director

  
Chairman

As per our report of same date.

  
Auditor

Dhaka, 21 March 2019





**BRAC Bank Limited**  
**Statement of Changes in Equity**  
**For the year ended 31 December 2018**

| Particulars  | Paid up capital | Share premium | Statutory reserve | Dividend equalization fund | Revaluation reserve on Govt. securities | Assets revaluation reserve | Translation reserve | Retained earnings | Total          |
|--|-----------------|---------------|-------------------|----------------------------|---|----------------------------|---------------------|-------------------|----------------|
| Amount in Taka   |                 |               |                   |                            |   |                            |                     |                   |                |
| <b>Balance as at 01 January 2018</b>                                 | 8,552,096,940   | 3,738,490,072 | 4,813,606,868     | 355,218,455                | 23,306,557                              | 516,373,535                | -                   | 7,991,713,548     | 25,990,805,975 |
| Changes in accounting policy/adjustment                              | -               | -             | -                 | -                          | -                                       | -                          | -                   | -                 | -              |
| <b>Restated balance</b>  | 8,552,096,940   | 3,738,490,072 | 4,813,606,868     | 355,218,455                | 23,306,557                              | 516,373,535                | -                   | 7,991,713,548     | 25,990,805,975 |
| Surplus/deficit on account of revaluation of assets                  | -               | -             | -                 | -                          | -                                       | 4,094,815                  | -                   | -                 | 4,094,815      |
| Recognition of Deferred Tax on revaluation reserve of fixed assets   | -               | -             | -                 | -                          | -                                       | (41,909,750)               | -                   | -                 | (41,909,750)   |
| Surplus/deficit on account of revaluation of investments             | -               | -             | -                 | -                          | (17,713,293)                            | -                          | -                   | -                 | (17,713,293)   |
| Dividend equalization fund   | -               | -             | -                 | -                          | -                                       | -                          | -                   | -                 | -              |
| Ordinary share issue against bond conversion                         | 27,905,340      | -             | -                 | -                          | -                                       | -                          | -                   | -                 | 27,905,340     |
| Share premium against bond conversion                                | -               | 115,276,960   | -                 | -                          | -                                       | -                          | -                   | -                 | 115,276,960    |
| Remeasurements of defined benefits liability (assets) (Note - 9.5.3) | -               | -             | -                 | -                          | -                                       | -                          | -                   | 15,189,214        | 15,189,214     |
| Changes in translation reserve                                       | -               | -             | -                 | -                          | -                                       | -                          | (3,001,421)         | -                 | (3,001,421)    |
| <b>Net gains and losses not recognized in the income statement</b>   | 8,580,002,280   | 3,853,767,032 | 4,813,606,868     | 355,218,455                | 5,593,264                               | 478,558,600                | (3,001,421)         | 8,006,902,762     | 26,090,647,840 |
| Net profit for the period  | -               | -             | -                 | -                          | -                                       | -                          | -                   | 5,547,303,999     | 5,547,303,999  |
| Dividends for the year 2017:   | -               | -             | -                 | -                          | -                                       | -                          | -                   | -                 | -              |
| Stock dividend   | 2,145,000,570   | -             | -                 | -                          | -                                       | -                          | -                   | (2,145,000,570)   | -              |
| Cash dividend  | -               | -             | 1,614,481,218     | -                          | -                                       | -                          | -                   | (1,614,481,218)   | -              |
| Statutory reserve  | -               | -             | 6,428,088,086     | 355,218,455                | 5,593,264                               | 478,558,600                | (3,001,421)         | 9,794,724,973     | 31,637,951,839 |
| <b>Balance as at 31 December 2018</b>                                | 10,725,002,850  | 3,853,767,032 | 6,428,088,086     | 355,218,455                | 5,593,264                               | 478,558,600                | (3,001,421)         | 9,794,724,973     | 31,637,951,839 |

**For the year ended 31 December 2017**

| Particulars  | Paid up capital | Share premium | Statutory reserve | Dividend equalization fund | Revaluation reserve on Govt. securities | Assets revaluation reserve | Translation reserve | Retained earnings | Total          |
|--|-----------------|---------------|-------------------|----------------------------|---|----------------------------|---------------------|-------------------|----------------|
| Amount in Taka   |                 |               |                   |                            |   |                            |                     |                   |                |
| <b>Balance as at 01 January 2017</b>                               | 7,104,369,100   | 3,659,942,031 | 3,470,350,332     | 355,218,455                | 111,643,709                             | 516,373,535                | -                   | 6,222,874,273     | 21,440,771,435 |
| Changes in accounting policy/adjustment                            | -               | -             | -                 | -                          | -                                       | -                          | -                   | -                 | -              |
| <b>Restated balance</b>  | 7,104,369,100   | 3,659,942,031 | 3,470,350,332     | 355,218,455                | 111,643,709                             | 516,373,535                | -                   | 6,222,874,273     | 21,440,771,435 |
| Surplus/deficit on account of revaluation of assets                | -               | -             | -                 | -                          | (88,337,152)                            | -                          | -                   | -                 | (88,337,152)   |
| Surplus/deficit on account of revaluation of investments           | -               | -             | -                 | -                          | -                                       | -                          | -                   | -                 | -              |
| Dividend equalization fund   | -               | -             | -                 | -                          | -                                       | -                          | -                   | -                 | -              |
| Ordinary share issue against bond conversion                       | 22,378,350      | -             | -                 | -                          | -                                       | -                          | -                   | -                 | 22,378,350     |
| Share premium against bond conversion                              | -               | 78,548,041    | -                 | -                          | -                                       | -                          | -                   | -                 | 78,548,041     |
| Remeasurements of defined benefits liability (assets)              | -               | -             | -                 | -                          | -                                       | -                          | -                   | -                 | -              |
| Changes in translation reserve                                     | -               | -             | -                 | -                          | -                                       | -                          | -                   | -                 | -              |
| <b>Net gains and losses not recognized in the income statement</b> | 7,126,747,450   | 3,738,490,072 | 3,470,350,332     | 355,218,455                | 23,306,557                              | 516,373,535                | -                   | 6,222,874,273     | 21,453,360,674 |
| Net profit for the period  | -               | -             | -                 | -                          | -                                       | -                          | -                   | 5,250,120,046     | 5,250,120,046  |
| Dividends for the year 2016:                                       | -               | -             | -                 | -                          | -                                       | -                          | -                   | -                 | -              |
| Stock dividend   | 1,425,349,490   | -             | -                 | -                          | -                                       | -                          | -                   | (1,425,349,490)   | -              |
| Cash dividend  | -               | -             | 1,343,256,536     | -                          | -                                       | -                          | -                   | (712,674,745)     | (712,674,745)  |
| Statutory reserve  | -               | -             | -                 | -                          | -                                       | -                          | -                   | (1,343,256,536)   | -              |
| <b>Balance as at 31 December 2017</b>                              | 8,552,096,940   | 3,738,490,072 | 4,813,606,868     | 355,218,455                | 23,306,557                              | 516,373,535                | -                   | 7,991,713,548     | 25,990,805,975 |

The annexed notes 1 to 48 form an integral part of these financial statements.





**BRAC Bank Limited**  
**Cash Flow Statement**  
**For the year ended 31 December 2018**

| Particulars   | Note | 2018<br>Taka           | 2017<br>Taka           |
|---|------|------------------------|------------------------|
| <b>A. Cash flows from operating activities</b>                                    |      |                        |                        |
| Interest receipts in cash   |      | 26,603,848,169         | 22,446,569,585         |
| Interest payment  |      | (9,397,279,034)        | (8,002,201,800)        |
| Dividend receipts   |      | 116,439,566            | 109,791,690            |
| Fees and commission receipts in cash  |      | 2,573,498,362          | 2,876,025,784          |
| Recoveries on loans previously written off  |      | 783,059,719            | 1,039,185,296          |
|   |      | (4,727,144,076)        | (4,330,282,194)        |
| Cash payments to suppliers  |      | (551,866,420)          | (550,308,796)          |
| Income tax paid   |      | (3,336,896,324)        | (2,260,670,310)        |
| Receipts from other operating activities  | 44   | 1,229,120,886          | 1,554,280,737          |
| Payment for other operating activities  | 45   | (4,407,092,331)        | (4,296,800,633)        |
| <b>Operating Cash flow before changes in operating assets and liabilities (i)</b> |      | <b>8,885,688,517</b>   | <b>8,585,589,358</b>   |
| <b>Increase/decrease in operating assets and liabilities</b>                      |      |                        |                        |
| Loans and advances to customers   |      | (35,448,722,522)       | (28,947,339,234)       |
| Other assets  |      | (149,709,898)          | 719,074,680            |
| Deposits from other banks/borrowings  |      | (203,243,800)          | 1,461,352,037          |
| Deposits from customers   |      | 32,397,970,444         | 27,364,867,519         |
| Other liabilities   |      | (1,658,012,152)        | 1,926,802,394          |
| Cash utilized in operating assets and liabilities (ii)                            |      | (5,061,717,928)        | 2,524,757,396          |
| <b>Net cash flows from operating activities (i+ii) (a)</b>                        |      | <b>3,823,970,589</b>   | <b>11,110,346,754</b>  |
| <b>B. Cash flows from investing activities</b>                                    |      |                        |                        |
| Treasury bills  |      | (4,743,711,736)        | (1,137,623,369)        |
| Bangladesh Bank Bills   |      | 2,497,936,800          | (2,497,936,800)        |
| Treasury bonds  |      | 1,096,934,546          | 1,399,779,845          |
| Sale/ (Investment) in shares  |      | (577,870,023)          | (263,676,346)          |
| Investment in Bonds   |      | 927,000,000            | (67,000,000)           |
| Redemption of BBL Bond  |      | (2,706,965,700)        | -                      |
| Acquisition of fixed assets   |      | (802,330,855)          | (1,446,053,509)        |
| Disposal of Fixed Assets  |      | 56,906,904             | 83,940,294             |
| <b>Net cash flows used in investing activities (b)</b>                            |      | <b>(4,252,100,064)</b> | <b>(3,928,569,885)</b> |
| <b>C. Cash flows from financing activities</b>                                    |      |                        |                        |
| Dividend paid   |      | (347,296)              | (688,691,607)          |
| <b>Net cash flows from/(used in) financing activities (c)</b>                     |      | <b>(347,296)</b>       | <b>(688,691,607)</b>   |
| <b>Net increase/decrease in cash (a+b+c)</b>                                      |      | <b>(428,476,771)</b>   | <b>6,493,085,262</b>   |
| Cash and cash equivalents at the beginning of year                                |      | 37,682,669,776         | 31,189,584,514         |
| Cash and cash equivalents at the end of the year                                  | 43   | <b>37,254,193,005</b>  | <b>37,682,669,776</b>  |
| <b>Cash and cash equivalents at the end of the year:</b>                          |      |                        |                        |
| Cash in hand (including foreign currency)   |      | 6,654,775,781          | 6,092,421,365          |
| Balance with Bangladesh Bank and its agents bank(s) (including foreign currency)  |      | 15,719,774,488         | 12,192,061,982         |
| Balance with other banks and financial institutions                               |      | 14,878,545,136         | 19,396,241,229         |
| Prize Bond  |      | 1,097,600              | 1,945,200              |
|   |      | <b>37,254,193,005</b>  | <b>37,682,669,776</b>  |

The annexed notes 1 to 48 form an integral part of these financial statements.





**BRAC Bank Limited**  
**Liquidity Statement**  
**(Asset and Liability Maturity Analysis)**  
**As at 31 December 2018**

| Particulars  | 0 - 1<br>Month        | 1 - 3<br>Months       | 3 - 12<br>Months       | 1 - 5<br>Years        | Above 5<br>Years      | Amount in Taka<br>Total |
|--|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|-------------------------|
| <b>Assets</b>  |                       |                       |                        |                       |                       |                         |
| Cash in hand and Balance with Bangladesh Bank                                      | 10,727,757,672        | -                     | -                      | -                     | 11,646,792,597        | 22,374,550,269          |
| Balance with other banks and financial Institutions (Including foreign currencies) | 4,116,305,254         | 8,912,239,882         | 1,850,000,000          | -                     | -                     | 14,878,545,136          |
| Money at call and short notice   | -                     | -                     | -                      | -                     | -                     | -                       |
| Investments  | 6,657,949,305         | 1,500,938,330         | 2,363,279,565          | 7,661,237,494         | 7,581,713,547         | 25,765,118,241          |
| Loans and advances   | 26,357,961,539        | 43,479,197,003        | 95,766,353,109         | 63,507,675,527        | 8,896,916,090         | 238,008,103,268         |
| Fixed assets including premises, furniture and fixtures                            | -                     | -                     | -                      | 3,311,837,398         | 988,813,719           | 4,300,651,117           |
| Other assets   | 2,699,497,791         | 124,197,285           | 37,690,265             | 989,911,987           | 6,171,938,140         | 10,023,235,468          |
| Non-banking assets   | -                     | -                     | -                      | -                     | 66,471,775            | 66,471,775              |
| <b>Total Assets</b>  | <b>50,559,471,561</b> | <b>54,016,572,500</b> | <b>100,017,322,939</b> | <b>75,470,662,406</b> | <b>35,352,645,868</b> | <b>315,416,675,274</b>  |
| <b>Liabilities</b>   |                       |                       |                        |                       |                       |                         |
| Borrowings from Bangladesh bank, other Banks, financial institutions and agents    | 1,817,328,613         | 9,854,357,615         | 12,216,615,264         | 6,925,545,149         | 489,428,500           | 31,303,275,141          |
| Convertible subordinated debts   | -                     | -                     | -                      | -                     | -                     | -                       |
| Money at call and short notice   | -                     | -                     | -                      | -                     | -                     | -                       |
| Deposits and other accounts  | 34,744,015,047        | 41,750,982,522        | 83,103,801,467         | 50,635,220,761        | 18,388,389,905        | 228,622,409,702         |
| Other liabilities  | 5,493,026,844         | 1,627,950,597         | 3,813,085,409          | 4,311,004,468         | 8,607,971,274         | 23,853,038,592          |
| <b>Total Liabilities</b>   | <b>42,054,370,504</b> | <b>53,233,290,734</b> | <b>99,133,502,140</b>  | <b>61,871,770,378</b> | <b>27,485,789,679</b> | <b>283,778,723,435</b>  |
| <b>Net liquidity Gap</b>   | <b>8,505,101,057</b>  | <b>783,281,766</b>    | <b>883,820,799</b>     | <b>13,598,892,028</b> | <b>7,866,856,189</b>  | <b>31,637,951,839</b>   |

Net result of the Liquidity Statement represents the Equity attributable to the shareholders of the Bank.

The annexed notes 1 to 48 form an integral part of these financial statements.





## Section - One : Corporate profile and significant accounting policies

## 1.1 BRAC Bank Limited

BRAC Bank Limited (the "Bank" or "BRAC Bank") is a scheduled commercial bank established under the Bank Company Act, 1991 and incorporated as a public company limited by shares on 20 May 1999 under the Companies Act, 1994 in Bangladesh. The primary objective of the Bank is to carry on all kinds of banking businesses. The Bank could not start its operations till 3 June 2001 since the activity of the Bank was suspended by the honorable High Court of Bangladesh. Subsequently, the judgment of the High Court was set aside and dismissed by the Appellate Division of the Supreme Court on 4 June 2001 and accordingly, the Bank started its operations from 4 July 2001. At present the Bank has 186 branches (2017: 186 branches), 155 zonal offices (2017: 145 zonal offices), 457 SME unit offices (2017: 457 SME unit offices) and 50 agent outlets across the country. The registered address of the Bank is situated at Anik Tower, 220/B Tejgaon Gulshan Link Road, Tejgaon, Dhaka-1208. BRAC Bank Limited is listed with Dhaka Stock Exchange and Chittagong Stock Exchange as a publicly traded company from 28 January 2007 and 24 January 2007 respectively. A brief description of the subsidiaries and associates of BRAC Bank Limited is provided in note 1.2.

## 1.1.1 Principal Activities and nature of operations of BRAC Bank Limited

The principal activities of the Bank are banking and related activities including accepting customer deposits, lending to retail, SME and corporate customers, trade financing, lease financing, project financing, issuing Letters of Credit, inter bank borrowing and lending, dealing in government securities, equity shares etc. There have been no significant changes in the nature of the principal activities of the Bank during the financial year under review.

As a fully operational commercial bank, BRAC Bank Limited focuses on pursuing unexplored market niches in the Small and Medium Enterprises business, which hitherto has remained largely untapped within the country. Significant percentage of BRAC Bank's clients had no prior experience with formal banking. With the view to reaching clients, the Bank has established a wide network of 186 branches, 155 zonal offices, 457 SME unit offices and 50 agent outlets offering services in the heart of rural and urban communities.

The Bank operates under a "triple bottom line" agenda where profit and social responsibility shake hands as it strives towards a poverty free, enlightened Bangladesh.

## 1.1.2 Off Shore Banking Unit

The Bank commenced its off-shore banking operation after obtaining permission from Bangladesh Bank in 2010. The Off-shore Banking Unit (OBU) is governed by the rules and guidelines of Bangladesh Bank. Apart from the reporting of OBU with Solo Financial Statements, a Separate Financial Statements of OBU is shown in Annexure I. The principal activities of OBU are to provide all kinds of commercial banking services to its customers in Bangladesh in foreign currency.

## 1.1.3 Custodian Service

The Bank obtained permission to work as a security custodian from Bangladesh Securities and Exchange Commission vide its certificate no. SC-10/2009 dated 12 November 2009 under the Securities and Exchange Commission (Securities Custodian Service) Rules 2003. Financial performance of Security Custodial Services have been separately reported in Annexure J along with Bank's audited financial statements in compliance with the requirement u/s 10(2) of Security Custodial Services Rules 2003. The due certificate from external auditors has been obtained on internal control and financial statements of security custodial operations of the Bank and annexed with the financial statements.

## 1.1.4 Agent Banking

The Bank obtained permission from Bangladesh Bank on 11 March 2018 vide reference no BRPD(P-3)745/(50)2018-1806 to start the operation of Agent Banking and subsequently started its commercial operation on 11 September 2018. Till 31 December 2018 there are 50 agent outlets launched around the country. The services that are currently being offered includes Account Opening (Savings), Cash Deposit & Withdrawal (Agent Banking A/C), Cash Deposit in Branch A/C, SME Loan Repayment collection, Balance Inquiry, Internet Banking & SMS banking, Corporate Bill/Distributor Fee Collection, Insurance Premium Collection etc.

## 1.2 Subsidiaries and associates of the Bank

## 1.2.1 BRAC EPL Investments Limited (Subsidiary)

BRAC Bank Limited acquired 51% shares of Equity Partners Limited on 31 July 2009. This company was incorporated in Bangladesh on 19 April 2000 as a private limited company under the Companies Act 1994 and was subsequently renamed as "BRAC EPL Investments Limited". BRAC Bank acquired additional 25% shares in the company in 2011, additional 18.57% in 2016. During 2017, the Bank acquired another 5.275% shares in the company taking the total shareholding to 99.845% at the end of the year 2017.

BRAC EPL Investments Limited was established to cater to the needs of the fast growing capital markets in Bangladesh. It works as a merchant bank with a full-fledged merchant banking license from the Bangladesh Securities and Exchange Commission (BSEC). The company's services comprise of lead managing Initial Public Offerings, Domestic and International Placement, Portfolio Management and Project Development and Consultancy.

Copy of the audited financial statements is attached in Appendix - A.





**1.2.2 BRAC EPL Stock Brokerage Limited (Subsidiary)**

BRAC Bank Limited acquired 51% shares of Equity Partners Securities Limited on 31 July 2009. Equity Partners Securities Limited was incorporated in Bangladesh on 16 May 2000 as a private limited company under the Companies Act 1994. Subsequently the management decided to rename Equity Partners Securities Limited as BRAC EPL Stock Brokerage Limited. In the year 2011, the Bank acquired further 39% shares of EPL Stock Brokerage Limited. As a result, the Bank's control has increased to 90% shares of EPL Stock Brokerage Limited.

BRAC EPL Stock Brokerage Limited was established to cater to the needs of the stock brokerage business in Bangladesh. It has corporate membership of both Dhaka Stock Exchange and Chittagong Stock Exchange.

Copy of the audited financial statements is attached in Appendix - B.

**1.2.3 bKash Limited (Subsidiary)**

BRAC Bank Limited formed bKash Limited, a private company limited by shares incorporated on 1 March 2010 under the Companies Act 1994. bKash Limited was established to introduce mobile money transfer services in Bangladesh. The Bank has obtained a license from Bangladesh Bank for its subsidiary bKash Limited for rendering the mobile financial services. Notable that Alipay Singapore E-Commerce Private Limited (Alipay) invested in equity of bKash Limited in 2018. BRAC Bank Limited currently holds 51% equity shares in the company. Out of the remaining equity shares 29% (2017: 36.5%) held by Money in motion LLC (a company listed in the USA), 9.9% (2017: 12.5%) held by International Finance Corporation (IFC) and the rest 10.1% (2017: nil) of equity shares are held by Alipay Singapore.

In 2014 with the consent of all existing shareholders, Bill & Melinda Gates Foundation (B&M) and in 2018 Alipay Singapore E-Commerce Private Limited ("Alipay") further invested in bKash Limited in the form of convertible preference shares. Out of the total 87,963 convertible preference shares B&M holds 32,530 shares (2017: 40,970) and Alipay holds 55,433 shares (2017: Nil). The preference shareholders do not have any voting rights but has same rights as the equity shareholders with respect to economic interest in the company. These preference shares are convertible at 1:1 basis to ordinary shares at the option of the preference shareholders. The consolidated financial statements have been prepared considering the potential dilution.

Copy of the audited financial statements is attached in Appendix - C.

**1.2.4 BRAC SAAJAN Exchange Limited (Subsidiary)**

BRAC Bank Limited acquired 75%+1 share (249,992 shares out of the total share 333,333) of "SAAJAN Worldwide Money Transfer Limited" (SWMTL) in the UK. Bangladesh Bank has provided necessary approval of GBP 500,000 to acquire SWMTL and setting up two other new branches in Luton and Bradford, UK. As per the permission of Bangladesh Bank, SWMTL has already been renamed as "BRAC SAAJAN Exchange Ltd" (BSE). BRAC Bank Limited has been controlling and monitoring all its operations as a holding company.

BRAC SAAJAN Exchange Limited was established to cater remittance and exchange services in UK.

Copy of the audited financial statements is attached in Appendix - D.

**1.2.5 BRAC IT Services Limited (Associate)**

BRAC IT Services Ltd. (bITS) was initially founded as Documenta™ Ltd, a Digital Archiving Firm in 1999. BRAC IT Services Ltd. (bITS) was then formed in April 2013 through the merger of Documenta™ Ltd and the IT Division of BRAC Bank. BRAC Bank Limited acquired 51% shares of BRAC IT Services Limited, a private company limited by shares under the Companies Act 1994 incorporated 9 April 2013. It is currently operating as an IT Solution and Services company. In the year 2017, BRAC Bank Limited has reduced its holding in BRAC IT Services Limited from 51% to 48.67% by selling 1,034 shares to BRAC Bank. Due to the disposal of shares BRAC IT Services Limited, it is converted as "Associate" of the Bank at the end of the year 2017 from Subsidiary status.

**1.2.6 BRAC Asset Management Company Limited (Associate)**

The Bank has invested in 25% shares of BRAC Asset Management Company Limited that was incorporated in Bangladesh on 1 April 2010. However the company could not commence its operation till to date due to licence for Assets Management Company is pending with Bangladesh Securities and Exchange Commission (BSEC). As BSEC did not accord licence for the AMC operation, the Board has decided to strike-off the company and liquidation procedures are in progress as on 31 December 2018.

**1.2.7 Summary of shareholding in subsidiaries and associates**

BRAC Bank's (BBL) shareholding position in all of its subsidiaries and associates is summarized below:

| Name of subsidiaries/associates       | Face value per share | Total no. of ordinary shares |             | No. of ordinary shares held by BBL |             | BBL's percentage of shareholding |        |
|---------------------------------------|----------------------|------------------------------|-------------|------------------------------------|-------------|----------------------------------|--------|
|                                       |                      | 2018                         | 2017        | 2018                               | 2017        | 2018                             | 2017   |
| BRAC EPL Investments Limited          | BDT 10               | 258,500,000                  | 258,500,000 | 258,100,078                        | 258,100,078 | 99.85%                           | 99.85% |
| BRAC EPL Stock Brokerage Limited      | BDT 100              | 7,009,538                    | 7,009,538   | 6,308,541                          | 6,308,581   | 90.00%                           | 90.00% |
| bKash Limited                         | BDT 100              | 381,949                      | 381,949     | 194,800                            | 194,800     | 51.00%                           | 51.00% |
| BRAC SAAJAN Exchange Limited          | GBP 1                | 333,333                      | 333,333     | 249,992                            | 249,992     | 75.00%                           | 75.00% |
| BRAC IT Services Limited              | BDT 1,000            | 62,024                       | 62,024      | 30,190                             | 30,190      | 48.67%                           | 48.67% |
| BRAC Asset Management Company Limited | BDT 100              | 500,000                      | 500,000     | 125,000                            | 125,000     | 25.00%                           | 25.00% |

**2 Basis of preparation of financial statements****2.1 Consolidated and Separate Financial Statements**

The separate financial statements of the Bank for the year ended 31 December 2018 comprise the operation of Domestic Banking Unit (main operation) as well as the operation of Off-shore Banking Unit (OBU), together referred to as "the Bank". The consolidated financial statement comprise those of the Bank (parent) and its subsidiaries and associates (note 1.2), together referred to as "the Group" or individually referred to as "Group Entities/Subsidiaries/associates" as the case may be. There were no significant changes in the operations of the Bank/Group Entities. A summary of accounting principle and policies which have been applied consistently (unless otherwise stated), are set out below:





## 2.1.1 Statement of compliance and basis of preparation

The Financial Reporting Act, 2015 (FRA) was enacted in 2015. The Financial Reporting Council (FRC) under the FRA has been formed in 2017 but the Financial Reporting Standards (FRS) under this council is yet to be issued for public interest entities such as banks. The Bank Company Act, 1991 was amended to require banks to prepare their financial statements under such financial reporting standards.

As the FRS is yet to be issued by FRC hence as per the provisions of the FRA (section-69), the consolidated and separate financial statements of the Group and the Bank respectively have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB) and in addition to this the Bank complied with the requirements of following laws and regulations from various Government bodies:

- i) The Bank Company Act, 1991 and amendment thereon;
- ii) The Companies Act, 1994;
- iii) Circulars, Rules and Regulations Issued by Bangladesh Bank (BB) time to time;
- iv) Bangladesh Securities and Exchange Rules 1987, Bangladesh Securities and Exchange ordinance 1969, Bangladesh Securities and Exchange Act 1993, Bangladesh Securities and Exchange Commission (Public Issue) Rules 2015;
- v) The Income Tax ordinance, 1984 and amendment thereon;
- vi) The Value Added Tax Act, 1991 and amendment thereon;
- vii) Dhaka Stock Exchange Limited (DSE), Chittagong Stock Exchange limited (CSE) and Central Depository Bangladesh Limited (CDBL) rules and regulations; and
- viii) Financial Reporting Act 2015.

In case any requirement of the Bank Company Act 1991, and provisions and circulars issued by Bangladesh Bank (BB) differ with those of IFRSs, the requirements of the Bank Company Act 1991, and provisions and circulars issued by BB shall prevail. Material departures from the requirements of IFRS are as follows:

## i) Investment in equity instruments

**IFRS:** As per requirements of IFRS 9: Classification and measurement of investment in equity instruments 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 and loss account" or under "at fair value through other comprehensive income" where any change in the 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 Banking Regulation and Policy Department (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 cost.

## ii) Subsequent measurement of Government securities

**IFRS:** Government securities refer primarily various debt instruments which include both bonds and bills. As per requirements of IFRS 9 Financial Instruments, bonds can be categorised as "Amortised Cost (AC)" or "Fair Value Through Profit or Loss (FVTPL)" or "Fair Value through Other Comprehensive Income (FVOCI)". Bonds designated as Amortised Cost are measured at amortised cost method and interest income is recognised through profit and loss account. Any changes in fair value of bonds designated as FVTPL is recognised in profit and loss account. Any changes in fair value of bonds designated as FVOCI is recognised in other reserve as a part of equity.

As per requirements of IFRS 9, bills can be categorised either as "Fair Value Through Profit or Loss (FVTPL)" or "Fair Value through Other Comprehensive Income (FVOCI)". Any change in fair value of bills is recognised in profit and loss or other reserve as a part of equity respectively.

**Bangladesh Bank:** As per DOS Circular no. 05 dated 26 May 2008 and subsequent clarification in DOS Circular no. 05 dated 28 January 2009, Government securities/bills are classified into Held for Trading (HFT) and Held to Maturity (HTM). 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. 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 year end and gains or losses on amortisation are recognised in other reserve as part of equity.

## iii) Provision on loans and advances

**IFRS:** As per IFRS 9 *Financial Instruments* an entity shall recognize 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. 07 dated 21 June 2018, BRPD Circular no 13 dated 18 October 2018, BRPD circular No.15 dated 27 September 2017, BRPD circular no.16 dated 18 November 2014, BRPD circular no.14 dated 23 September 2012, BRPD circular no. 19 dated 27 December 2012, BRPD circular no. 05 dated 29 May 2013 and BRPD circular no.1 dated 20 February 2018 a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard and SMA loans) has to be maintained regardless of objective evidence of impairment. Also provision for different categories of classified loans (sub-standard, doubtful & bad and loss loans) has to be provided at 20%, 50% and 100% respectively for loans and advances depending on time past due. Again as per BRPD circular no. 14 dated 23 September 2012 and BRPD circular no. 07 dated 21 June 2018, a general provision at 1% is required to be provided for all off-balance sheet exposures except on 'bills for collection' and 'guarantees' where the counter guarantees have been issued by Multilateral Development Bank (MDB)/International Bank having BB rating grade '1' equivalent outlined in the Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III). Such provision policies are not specifically in line with those prescribed by IFRS 9.





iv) Other comprehensive income

**IFRS:** As per IAS 1 *Presentation of Financial Statements*, other comprehensive income is a component of financial statements or the elements of other comprehensive income are to be included in single comprehensive income statements.

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

v) Financial Instruments – presentations and disclosure

In several cases Bangladesh Bank guidelines categories, recognize, measure and present financial instruments differently from those prescribed in IFRS 9 *Financial Instruments*. Hence some disclosure and presentation requirements of IFRS 7 *Financial Instruments: Disclosures* and IAS 32 *Financial Instruments: Presentation*, cannot be made in this financial statements

vi) 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 recognized 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 03 dated 30 January 2012 and 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 collateralized repo arrangements with Bangladesh Bank. Here the selling bank accounts for the arrangement as a loan, thereby continuing to recognize the asset.

vii) Financial guarantees

**IFRS:** As per IFRS 9 *Financial Instruments*, financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the term of debt instruments. Financial guarantee liabilities are recognized initially at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortized amount and the loss allowance determined as expected credit loss under IFRS 9. Financial guarantees are prescribed to be included within other liabilities.

**Bangladesh Bank:** As per BRPD circular no. 14, dated 25 June 2003, financial guarantees such as Letter of Credit, Letter of Guarantee should be treated as off balance items. No liability is recognized for the guarantee except the cash margin.

viii) Cash and cash equivalents

**IFRS:** Cash and cash equivalents items should be reported as cash item as per IAS 7 *Statement of Cash Flows*.

**Bangladesh Bank:** Some cash and cash equivalent items such as money at call and on short notice, treasury bills, Bangladesh Bank bills and prize bond are not shown as cash and cash equivalents. Money at call and on short notice is shown separately in the balance sheet. Treasury bills, Bangladesh Bank bills and prize bond are shown under investment in the balance sheet. However, in the cash flow statement, money at call and short notice and prize bonds are shown as cash and cash equivalents beside cash in hand, balance with Bangladesh Bank and other banks.

ix) Non banking assets

**IFRS:** There is no particular/specific guideline about non banking assets in IFRSs.

**Bangladesh Bank:** As per BRPD circular no. 14, dated 25 June 2003, there is a separate balance sheet item titled as non-banking asset exists in the standard format.

x) Cash flow statement

**IFRS:** As per IAS 7 *Statement of Cash Flows*, 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.

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

xi) Balance with Bangladesh Bank

**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 *Statement of Cash Flows*.

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





**xii) Presentation of intangible asset**

**IFRS:** Intangible asset must be identified and recognized, and the disclosure must be given as per IAS 38 *Intangible Assets*.

**Bangladesh Bank:** Intangible assets are shown in fixed assets including premises, furniture and fixtures as there is no specific regulation for intangible assets in BRPD circular no. 14 dated 25 June 2003.

**xiii) Off balance sheet items**

**IFRS:** As per IFRS, there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.

**Bangladesh Bank:** As per BRPD circular no. 14 dated 25 June 2003, off balance sheet items e.g. Letter of Credit, Letter of Guarantee, Acceptance must be disclosed separately on the face of balance sheet.

**xiv) Disclosure of appropriation of profit**

**IFRS:** There is no requirement to show appropriation of profit on 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 on the face of profit and Loss Account.

**xv) Loans and advances/investments net of provision**

**IFRS:** As per IFRS 9, loans and advances/investments should be presented net of provision.

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

**xvi) 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 in profit and loss account by using the effective interest rate method to the gross carrying amount over the term of the loan. Once a loan subsequently become 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 as impaired, 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.

**xvii) Provision on undrawn loan commitments**

**IFRS:** As per IFRS 9 bank shall recognise credit losses on undrawn loan commitments such as Letter of Credit (L/C), Letter of Guarantee (L/G) etc. as the present value of the difference between the contractual cash flow that are due by the customer if the commitment is drawn down and the cash flows that bank expects to receive.

**Bangladesh Bank:** As per BRPD Circular no. 07 dated 21 June 2018 and BRPD Circular no.14 dated 23 September 2012, the Bank is required to maintain provision at 1% rate against off-balance sheet exposures (which includes all types of undrawn loan commitments).

[Also refer to (note 2.14) Compliance of International Financial Reporting Standards (IFRSs)]

**2.1.2 Going Concern**

The accompanying financial statements have been prepared on a going concern assumption that the Bank will continue in operation for the foreseeable future. The Bank has neither any intention nor any legal or regulatory compulsion to liquidate or curtail materially the scale of any of its operations. The key financial parameters (including liquidity, profitability, asset quality, provision sufficiency and capital adequacy) of the Bank continued to show a healthy trend for couple of years. The rating outlook of the Bank as reported by all the rating agencies is "Stable". Besides, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.

**2.1.3 Functional and presentation currency**

These financial statements are presented in Bangladeshi Taka (BDT), which is the Bank's functional currency. The functional currency of Off-shore Banking Unit (OBU) and one of our Subsidiaries namely BRAC SAAJAN Exchange Limited is United States Dollar (USD) and Great Britain Pound (GBP) respectively. The financial statements of the above mentioned Unit and Subsidiary have been translated to the presentation currency i.e. Bangladeshi Taka (BDT) following the guidelines of IAS 21 *The Effect of Changes in Foreign Exchange Rates*. The functional and presentation currency of other subsidiaries and associates is Bangladesh Taka (BDT). Except as indicated, figures have been rounded off to the nearest Taka.

**2.1.4 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. The key item which involve these judgments, estimates and assumptions are discussed below:





#### Impairment losses on loans and advances

In addition to the provision made for loans and advances based on the guideline of Bangladesh Bank, the Bank reviews its loans and advances portfolio on a monthly basis to assess whether a further allowance for impairment should be provided in the income statement. The judgments by the management is required in the estimation of these amounts and such estimations are based on assumptions about a number of factors though actual results may differ, resulting in future changes to the provisions.

#### Other items

Other key items where estimates or judgement were involved includes:

- a) Deferred tax (Note - 9.4)
- b) Useful life of fixed assets (Note - 2.7.1.6, 37 & Annexure - F)
- c) Revaluation of land (Note - 21.2 & Annexure - F)
- d) Provisions (Note - 17.1)
- e) Defined benefit obligation - gratuity (Note - 9.5)
- f) Remeasurement gain/(loss) of defined benefit obligation and plan assets (Note - 9.5)
- g) Impairment testing of goodwill and/or investment in subsidiary/associates (Note 38.1)

#### 2.1.5 Materiality and aggregation

Each material item considered by management as significant has been displayed separately in the financial statements. No amount has been set off unless the Bank has a legal right to set off the amounts and intends to settle on net basis. Income and expenses are presented on a net basis only when permitted by the relevant accounting standards.

#### 2.1.6 Comparative information

The accounting policies have been consistently applied by the Bank and are consistent with those used in the previous year. Comparative information is rearranged wherever necessary to conform with the current presentation.

#### 2.2 Basis of Consolidation

The consolidated financial statements include the financial statements of BRAC Bank Limited and its subsidiaries BRAC EPL Investments Limited, BRAC EPL Stock Brokerage Limited, bKash Limited and BRAC SAAJAN Exchange Limited as those of a single economic entity.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) 10: *Consolidated Financial Statements*. The consolidated financial statements are prepared to a common reporting year ended 31 December 2018.

#### Subsidiaries

'Subsidiaries' are entities controlled by the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-company transactions, balances and intra-group gains on transaction between group companies are eliminated on consolidation.

#### Associates

An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor (IAS-28: *Investments in Associates and joint ventures*). Significant influence is the power to participate in the financial and operating policy decisions of the investee but there is no control over those policies. Investment in associate is accounted for in the consolidated financial statements under the "equity method". Under the equity method, the investment is initially recorded at cost and the carrying amount is increased or decreased to recognize the investor's share of the profits or losses of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognized in the investor's profit and loss account. Distributions received from an investee reduce the carrying amount of the investment.

If holding in subsidiary disposed in such a way that the status of the holding now come to "Associate" then the fair value of the holding retained in the said entity at the date of such disposal has been considered as opening balance of Investment in associate in Consolidated Financial Statements and related gains and losses have been recognized directly in Consolidated Equity. Any share of profits and losses after such change/disposal have been recognized in Consolidated Profit and Loss as per equity method.

The Bank has two associates namely BRAC IT Services Limited (bITS) and BRAC Asset Management Company during the year and accounted for under equity method in the consolidated financial statements of the Bank.

#### 2.3 Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the spot exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in reserve as part of equity.





#### Foreign operations

The results of financial statements of any foreign operation (includes subsidiaries, associates, off-shore banking unit etc.) whose functional currency is not Bangladeshi Taka are translated into Bangladeshi Taka as follows:

- a. assets and liabilities for each statement of balance sheet have been translated at the closing rate on the date of balance sheet
- b. income and expenses for the profit and loss account have been translated at average rate.

Foreign currency differences are recognised in OCI, and accumulated in the foreign currency translation reserve (translation reserve), except to the extent that the translation difference is allocated to NCI.

#### 2.4 Accounting for Provisions, Contingent Liabilities and Contingent Assets

The Bank recognizes provisions only when it has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

No provision is recognized for-

- a. Any 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
- b. Any present obligation that arises from past events but is not recognized because-
  - \* It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - \* A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as contingent liabilities. These are assessed continually and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for except in the extremely rare circumstances where no reliable estimate can be made.

Contingent assets are not recognized in the financial statement since these may result in the recognition of income that may never be realized. However due to regulations of Bangladesh Bank (Central Bank of Bangladesh) and Bank Company Act 1991 as amended, all items of such contingent assets/liabilities are shown as Off-Balance Sheet items under Balance Sheet of the Bank as a separate section.

#### 2.5 Taxation

Income tax on profit for the year comprises current and deferred tax and is based on the applicable tax law in Bangladesh. It is recognized in the income statement as tax expense.

##### 2.5.1 Current Tax

Current tax is the expected tax payable on taxable income for the year, based on tax rates and tax laws which are enacted at the reporting date, including any adjustment for tax payable in previous periods. Current tax for current and prior periods are recognized as a liability or asset to the extent that it is unpaid or refundable.

Provision for current income tax has been made @ 37.5% as prescribed in the Finance Act 2018 on the taxable income.

##### 2.5.2 Deferred Tax

The Bank accounted for deferred tax as per IAS 12 *Income Taxes*. Deferred tax is accounted for any temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

Deferred tax assets, including those related to the tax effects of income tax losses and credits available to be carried forward, are recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses and credits can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences. They are also recognized for taxable temporary differences arising on investments and it is probable that temporary differences will not reverse in the foreseeable future. Deferred tax assets associated with these interests are recognized only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and there will be sufficient taxable profits against which to utilize the benefits of the temporary difference.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realized or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement reflects the tax consequences that would follow from the manner in which the Bank, at the reporting date, recovers or settles the carrying amount of its assets and liabilities.

#### 2.6 Reporting period

These financial statements cover one calendar year from 1 January to 31 December 2018.

#### 2.7 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all the periods presented in these financial statements except the recognition of defined benefit obligation and plan assets relating to the gratuity fund on the balance sheet of the Bank from 2018. The net effect in opening balance for such recognition has been charged in profit and loss considering the effect as immaterial as per IAS - 8.





**2.7.1 Assets and the basis of their valuation**

**2.7.1.1 Cash and cash equivalents**

For the purpose of presentation in the cash flow statements, cash and cash equivalents includes cash in hand and cash at bank, highly liquid interest bearing investment/securities with original maturities of less than three month.

Cash flow statement is prepared in accordance with IAS 7 *Statement of Cash Flows*. However cash flows from operating activities have been presented according to the format mentioned in BRPD circular no. 14 dated 25 June 2003.

**2.7.1.2 Investments (categorized and reported as per Bangladesh Bank)**

All investments securities are initially recognized at cost, including acquisition charges associated with the investment. Premiums are amortized and discount accreted, using the effective yield method and are taken to discount income. The valuation method of Marking to Market for investments used are:

**Held to Maturity**

Investments which have fixed or determinable payments and fixed maturity that the group has the positive intent and ability to held to maturity, other than those that meet the definition of 'Held at amortized cost others' are classified as held to maturity. These investment are subsequently measured at amortized cost, less any provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium in acquisition. Any gain or loss on such investments is recognized in the statement of income when the investment is derecognized or impaired.

**Held for Trading**

Investment classified in this category are acquired principally for the purpose of selling or repurchasing -in short trading or if designated as such by the management. After initial recognition, investment are measured at present value and any change in the fair value is recognized in the statement of income for the period in which it arises. Transaction costs, if any, are not added to the value of investments at initial recognition.

**Revaluation**

According to DOS Circular no. 05, dated 26 May 2008, DOS Circular no. 05, dated 28 January 2009, DOS Circular no. 02, dated 19 January 2012, the HFT securities are revalued once each week using Marking to Market concept and the HTM securities are amortized once a year according to Bangladesh Bank guidelines. The HTM securities are also revalued if they are reclassified to HFT category with the Board's approval.

**Investment in quoted securities**

These securities are bought and held primarily for the purpose of selling them in future or hold for dividend income which are reported at cost. Unrealized gains are not recognized in the profit and loss statement. But required provision are kept for diminution in value of investment.

**Investment in unquoted securities**

Investment in unlisted securities is reported at cost under cost method. Adjustment is given for any shortage of book value over cost for determining the carrying amount of investment in unlisted securities.

As per Bangladesh Bank DOS Circular no. 04 dated 24 November 2011, provision for diminution in value of investment was made by netting off unrealized gain/loss of shares from market price/book value less cost price.

Besides, the Bank complied with Bangladesh Bank BRPD Circular no. 14 dated 25 June 2003 as follows, "All investment in shares and securities (both dealing and investment) should be revalued at the year end. The quoted shares should be valued as per market price in the stock exchange(s) and unquoted shares as per book value of last audited balance sheet. Provision should be made for any loss arising from diminution in value of investment".

**Investment in subsidiary**

Investment in subsidiary is accounted at cost in the separate financial statement and consolidated in the consolidated financial statements considering as a single economic entity in accordance with the IAS 27 "Separate Financial Statements" and IFRS 10 "Consolidated Financial Statements" respectively.





**Investment in associate**

Investment in associate is accounted at cost in the separate financial statement and recognized in the consolidated financial statements under equity method as per IAS 28 "Investments in Associates and Joint Ventures".

Summary of recognition and measurement basis has been shown as under:

| Investment Class                | Initial Recognition | Measurement after Recognition  | Recording of changes  |
|---------------------------------|---------------------|--|---|
| Government Treasury Bills (HFT) | Cost                | Marking to Market/ fair value  | Loss to profit and loss a/c, gain to revaluation reserve  |
| Government Treasury Bills (HTM) | Cost                | Amortized cost   | Increased or decreased in value to equity   |
| Government Treasury Bonds (HFT) | Cost                | Marking to Market/ fair value  | Loss to profit and loss a/c, gain to revaluation reserve  |
| Government Treasury Bonds (HTM) | Cost                | Amortized cost   | Amortized Gain/ Loss to Revaluation reserve   |
| Zero Coupon Bond                | Cost                | Cost   | N/A   |
| Prize Bond and Other Bond       | Cost                | Cost   | N/A   |
| Debentures                      | Cost                | Cost   | Profit & Loss Account   |
| Un-quoted Shares (ordinary)     | Cost                | Lower of cost or NAV of last audited account   | Profit & Loss Account   |
| Quoted shares (ordinary)        | Cost                | Lower of cost or market price at balance sheet date  | Loss to profit and loss A/c.  |
| Investment in subsidiary        | Cost                | Cost less accumulated impairment, if any, in Separate Financial Statements and Consolidated in Consolidated Financial Statements                                       | Impairment loss to profit and loss account  |
| Investment in associate         | Cost                | Cost less accumulated impairment, if any, in Separate Financial Statements and equity method less accumulated impairment, if any, in Consolidated Financial Statements | Impairment loss to profit and loss account and share of post acquisition income in consolidated profit and loss |

**2.7.1.2.1 Impairment of investment in subsidiaries and associates**

As per IAS 36 *Impairment*, investment recognized either at cost or equity method need to review if there is any indication of impairment exists. If any indication of impairment exists then impairment test is carried out considering the individual subsidiary/associate as a "cash generating unit (CGU)" to find if the carrying value is higher than its recoverable amount. Recoverable amount is higher of fair value less cost to sell and value in use. If the fair value less cost to sell is not readily available then value in use is calculated which is basically present value of future cash flows.

**2.7.1.3 Loans and Advances**

- Interest on loans and advances is calculated daily on product basis but charged and accounted monthly and quarterly on accrual basis.
- Classification and provisioning for loans and advances are created based on the period of arrears by following Bangladesh Bank BRPD Circular no. 14 dated 23 September 2012, BRPD circular no. 15 of 23 September 2012, BRPD Circular no. 19 dated 27 December 2012, BRPD Circular no. 05 dated 29 May 2013, BRPD Circular no. 16 dated 18 November 2014, BRPD Circular no. 12 dated 20 August 2017, BRPD Circular no. 01 dated 20 February 2018, BRPD Circular no. 07 dated 21 June 2018 and BRPD Circular no 13 dated 18 October 2018.

The classification rates are given below:

| Consumer | Business Unit                               | Rates of Provision |                               |                  |               |               |
|----------|---|--------------------|-------------------------------|------------------|---------------|---------------|
|          |   | Un-classified (UC) |                               | Classified       |               |               |
|          |   | Standard           | Special Mention Account (SMA) | Substandard (SS) | Doubtful (DF) | Bad loan (BL) |
|          | House building                              | 1%                 | 1%                            | 20%              | 50%           | 100%          |
|          | Loans for professionals                     | 2%                 | 2%                            | 20%              | 50%           | 100%          |
|          | Other than house building and professionals | 5%                 | 5%                            | 20%              | 50%           | 100%          |
|          | Loans to BHs/ MBs against share etc.        | 2%                 | 2%                            | 20%              | 50%           | 100%          |
|          | Small and medium enterprise                 | 0.25%              | 0.25%                         | 20%              | 50%           | 100%          |
|          | Short term Agri/Micro credit                | 1%                 | 1%                            | 5%               | 5%            | 100%          |
|          | Credit Card                                 | 2%                 | 2%                            | 20%              | 50%           | 100%          |
|          | All others                                  | 1%                 | 1%                            | 20%              | 50%           | 100%          |
|          | Off Balance Sheet exposure                  | 1%                 | N/A                           | N/A              | N/A           | N/A           |

- Interest on classified loans and advances is calculated as per BRPD circular no. 27, dated 31 August 2010 and recognized as income on realization as per BRPD circular no. 14 and 15, dated 23 September 2012.
- Loans and advances are written off to the extent that (i) there is no realistic prospect of recovery and (ii) against which legal cases are filed and classified as bad and loss as per BRPD circular no. 02 dated 13 January 2003 and 13 dated 07 November 2013. These write off however, will not undermine/affect the claim amount against the borrower. Detailed memorandum records for all such write off accounts are meticulously maintained and followed up.





**2.7.1.4 Impairment of financial assets**

At each balance sheet date, BRAC Bank Limited assesses whether there is objective evidence that a financial asset or a group of financial assets i.e., loans and advances, off balance sheet items and investments are impaired. A financial asset or group of financial assets are impaired and impairment losses are incurred if there is objective evidence of impairment as a result of a loss event that occur after the initial recognition of the asset up to the balance sheet date; the loss event had an impact on the estimated future cash flows of the financial assets or the group of financial assets; and a reliable estimate of the loss amount can be made.

In the event of impairment loss, the Bank reviews whether a further allowance for impairment should be provided in the profit and loss statement in addition to the provision made based on Bangladesh Bank guidelines or other regulatory requirements.

**2.7.1.5 Leases**

Lease of assets where the group has substantially all the risks and rewards of ownership are classified as finance leases. Leases in which a significant portion of the risk and rewards of ownership are retained by another party, the lessor are classified as operating lease.

**The Bank as Lessor**

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

**The Bank as Lessee**

In compliance with the International Accounting Standards (IAS) - 17 *Lease*, cost of assets acquired under finance lease along with obligation there against have been accounted for as assets and liabilities respectively of the company, and the interest elements have been charged as expenses.

Assets held under finance leases are recognized as non-current assets of the Bank at their fair value at the date of commencement of the lease or lower at the present value of minimum lease payments. The corresponding liabilities to the lessor is included in the balance sheet as finance lease obligation. Lease payments are apportioned between finance charges and reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

**2.7.1.6 Property, plant and equipment****a) Recognition and Measurement**

All fixed assets are stated at cost less accumulated depreciation as per IAS 16 *Property, Plant and Equipment* except Land. Land is initially measured at cost and then recognized at revaluated amount.

The cost of an item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity; and the cost of the item can be measured reliably.

The cost of the items of property, plant and equipment comprises:

- i) its purchase price, including import duties and non refundable purchase tax, after deducting trade discount and rebates
- ii) any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- iii) the initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as consequence of having used the item during a particular period of purpose other than to produce during that period.

**Subsequent costs**

Subsequent costs of enhancement of existing assets are recognized as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

**b) Depreciation**

Land is not depreciated. Depreciation is charged on straight-line basis. In case of acquisition of fixed assets, depreciation is charged from the month of acquisition, whereas no depreciation on assets disposed off is charged from the month of disposal. Asset category wise depreciation rates are as follows:

| Category of assets                                  | BRAC Bank Limited | BRAC EPL Investments Limited | BRAC EPL Stock Brokerage Limited | bKash Limited | BRAC Saajan Exchange Limited |
|---|-------------------|------------------------------|----------------------------------|---------------|------------------------------|
| Furniture and fixture                               | 10%               | 10%                          | 12.5%                            | 10%           | 10%                          |
| Building  | 2.5%              | 5%                           | 2%                               | -             | -                            |
| Office equipment                                    | 20%               | 20%                          | 20%                              | 20%           | 10%                          |
| IT equipment - Hardware                             | 20%               | 25%                          | -                                | 20%           | -                            |
| IT equipment - PC, Laptop, UPS, Printer and Scanner | 33.33%            | 33.33%                       | 25%                              | 33.33%        | 33.33%                       |
| IT equipment - Software                             | 20%               | 33.33%                       | 33.33%                           | 20%           | 20%                          |
| Motor vehicles                                      | 20%               | 20%                          | 20%                              | 20%           | -                            |
| Office Decoration/renovation works                  | 10%               | 15%                          | 15%                              | 20%           | 10%                          |





c) **Gain or Loss on disposal of Fixed Assets**

Sale price of fixed assets are determined on the basis of fair value of the assets. Gain or loss on sale of assets are recognized in profit and loss account as per provision of IAS 16 *Property plant and equipment*.

d) **Revaluation**

The fair value of land is usually its market value. This value is determined by appraisal, normally undertaken by professionally qualified valuers.

The frequency of revaluation depends upon the movements in the fair value of the items of property, plant and equipment being revalued, usually at 3-5 years' interval.

Increases in the carrying amount as a result of revaluation is credited directly to shareholders equity under the heading of revaluation surplus. Decreases in the carrying amount as a result of revaluation is recognized as an expense. However, a revaluation decrease is charged directly against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same assets.

e) **Impairment of Property, Plant and Equipment**

At each balance sheet date, the Bank assesses whether there is any indication that the carrying amount of the asset exceeds its recoverable amount. If any such indication exists, the Bank should estimate the recoverable amount of the asset. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and impairment loss is recognized as an expense in the profit and loss account unless the asset is carried at revalued amount in accordance with IAS 16 *Property, Plant and Equipment*, in which case any impairment loss of a revalued assets should be treated as revaluation decrease under the accounting standard. No impairment loss was recognized up to the reporting period in separate financial statement as there were no such indication existed as on balance sheet date.

f) **Capital work in progress (CWIP)**

Costs incurred but if the related asset is yet not ready or available to use are recognized as capital work in progress and disclosed as a part of fixed assets. Once the underlying asset is ready and available to use then it has been transferred to fixed assets. However no depreciation is calculated on CWIP.

2.7.1.7 **Intangible assets**

a) **Goodwill**

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets and is measured at cost less accumulated impairment losses.

b) **Software**

Software acquired by the Bank is stated at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure on software assets is capitalized only when it increases future economic benefits embodied in specific asset to which it relates. All expenditure is expensed as incurred. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is three to five years. Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

c) **Licence**

Value of the licence is recognized at cost less accumulated impairment losses.

d) **Impairment of intangible assets**

Intangible assets with indefinite useful life like goodwill etc. are tested for impairment at the end of each year. As per IAS 36 *Impairment*, any intangible assets with definite useful life are first reviewed for any indication of impairment. If any indication exists then impairment test is carried out.

2.7.1.8 **Other assets**

Other assets include mainly advance office rent, payment of advance income tax has not been closed yet and all other financial assets, fees and other unrealized income receivable, advance for operating expenditure and stocks of stationery and stamps etc. Any part of uncollectible other assets is subject to making provision based on their ageing as per Bangladesh Bank circular no. 14 date 25 June 2001.

2.7.1.9 **Inventories**

Inventories are measured at lower of cost and net realizable value as per IAS 2 *Inventories*.

2.7.2 **Liabilities**

2.7.2.1 **Borrowings from other banks, financial institutions and agents**

Borrowings from other banks, financial institutions and agents include interest-bearing borrowings redeemable at call, on-demand and short-term deposits lodged for periods of less than 6 months. These items are brought to account at the gross value of the outstanding balance which includes accrued interest.





**2.7.2.2 Deposits**

Deposits include non interest-bearing current deposit redeemable at call, interest bearing on-demand and short-term deposits, savings deposit and term deposit lodged for periods from 3 months to 12 years. These items are brought to account at the gross value of the outstanding balance which includes accrued interest.

**2.7.2.3 Other Liabilities**

Other liabilities comprise items such as provision for loans and advances, provision for interest receivables, provision for taxes, interest payable, interest suspense, accrued expenses. Other liability is recognized in the balance sheet according to the guideline of Bangladesh bank, IAS and IFRS, Income Tax Ordinance-1984 and internal policies of the Bank. Provisions and accrued expenses are recognized in the financial statement when the Bank has a legal or constructive obligation as a result of past event, it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**2.7.3 Capital and Shareholders' Equity**

**Capital Management**

The Bank has a capital management process in place to measure, deploy and monitor its available capital and assess its adequacy. This capital management process aims to achieve four major objectives: exceed regulatory thresholds and meet longer-term internal capital targets, maintain strong credit ratings, manage capital levels commensurate with the risk profile of the Bank and provide the Bank's shareholders with acceptable returns.

Capital is managed in accordance with the Board-approved Capital Management Planning from time to time. Senior management develop the capital strategy and oversee the capital management planning of the Bank. The Bank's Finance, Treasury and Risk Management department are key in implementing the Bank's capital strategy and managing capital. Capital is managed using both regulatory capital measures and internal matrix.

**2.7.3.1 Capital / Shareholders Equity**

**a. Authorized Capital**

Authorized capital is the maximum amount of share capital that the bank is authorized by its Memorandum and Articles of Association

**b. Paid up share capital**

Paid up share capital represents total amount of shareholder 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 a winding up of the Bank, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any residual proceeds of liquidation.

**2.7.3.2 Preference Share Capital**

Preference shares are those shares which give their holders an entitlement to a fixed dividend but which do not usually carry voting rights.

**2.7.3.3 Share Premium**

Share premium is the capital that the Bank raises upon issuing shares that is in excess of the nominal value of the shares. The share premium shall be utilized in accordance with provisions of section 57 of the Companies Act, 1994 and as directed by Bangladesh Securities and Exchange Commission in this respect.

**2.7.3.4 Statutory Reserve**

The Bank is required to transfer at least 20% of its profit before tax to the Statutory Reserve in accordance with provisions of section 24 of the Banking Companies Act, 1991. This is mandatory until such reserve is equal to the paid up capital together with amount in the share premium account.

**2.7.3.5 Revaluation Reserve**

**Revaluation Reserve on Govt. Securities**

Revaluation reserve represents revaluation on Treasury bond (HFT and HTM) in accordance with the DOS circular no. 05, dated 26 May 2008.

**Assets Revaluation Reserve**

Other reserve comprises Investment revaluation reserve and fixed assets revaluation reserve. Where carrying amount of an item of property, plant and equipment is increased as a result of valuation, the increased amount is credited directly to equity under the heading of assets revaluation reserve as per IAS 16 *Property, Plant and Equipment*. If any deferred tax is applicable on such revaluation reserve then the same is deducted from revaluation reserve directly as a component of OCI (Other Comprehensive Income).

**Actuarial Reserve**

Actuarial reserve arises from actuarial gain/loss as per actuarial valuation report carried out by professional actuary time to time. The last actuarial valuation were carried out based on 31 December 2018 and actuarial gain/loss was recognized in equity as a component of equity net of any deferred tax impact.





**2.7.3.6 Non-controlling interest (NCI)**

Non-controlling interest (NCI) in business is that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. The portion of the NCI (percentage of ordinary shares owned by non-controlling shareholders) in BRAC EPL Investments Limited, BRAC EPL Stock Brokerage Limited, bKash Limited and BRAC SAAJAN Exchange Limited are 0.15%, 10%, 49%, and 25% respectively.

**2.8 Employee Benefits**

**2.8.1 Provident Fund (Defined Contribution Plan)**

A "Defined Contribution Plan" is a post employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal constructive obligation to pay further amounts. Provident Fund benefits are given to the staff of the Bank in accordance with the registered Provident Fund Rules. The commissioner of Income Tax, Large Tax Payers Unit, Dhaka has approved the Provident Fund as a recognized 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 1st January, 2003. The fund is operated by a Board of Trustees consisting of 09 (nine) members of the Bank. All confirmed employees of the Bank are contributing 10% of their basic salary as subscription of the fund. The bank also contributes equal amount of the employees' contribution to the fund. Upon completion of 2 years of service length after confirmation employees are entitled to 100% of employer's contribution along with his/her own contribution. Interest earned from the investments is credited to the members' account on half yearly basis.

**2.8.2 Gratuity Fund (Defined Benefit Plan)**

Gratuity Fund benefits are given to the staff of the Bank in accordance with the approved Gratuity Fund rules. National Board of Revenue has approved the Gratuity Fund as a recognized Gratuity fund on 6th March 2006. The fund is operated by a Board of Trustees consisting of 8 (eight) members of the Bank. Employees are entitled to Gratuity benefit after completion of minimum 05 (five) years of service in the Bank. The Gratuity is calculated on the basis of last basic pay and is payable at the rate of one month's basic pay for every completed year of service. Gratuity fund is a "Defined Benefit Plan" and contribution to Gratuity Fund is measured through the result of actuarial valuation of the fund.

The Bank's net obligation in respect of gratuity is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in OCI. The Bank determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense, current service cost and other expenses related to defined benefit plans are recognised as salaries and allowances in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss.

**2.8.3 Worker's Profit Participation Fund (WPPF)**

Consistent with the industry practice and in accordance with the Bank Company Act, 1991, no provision has been made for WPPF.

**2.8.4 Other Employee Benefits**

**Life Insurance**

The objective of the scheme is to provide death or permanent disability benefits to its confirmed employees and on their families with a sum equal to 36 times (in case of normal death) and 72 times (in case of accidental death) of the last drawn basic salary to the nominee.

**Welfare Fund**

The objective of the Employees' Welfare Fund is to provide regular category employees from Officer grade 1 to Senior Principal Officer of the BRAC Bank incurring severe accidents during official job, extended illness (not less than 3 months), Education for Children; Marriage of Children which costs would not be affordable by the employee and which are not covered by any other means. All regular confirmed employees of the Bank shall contribute monthly to the Fund according to the designation. The sum subscribed monthly from salaries of employees shall be credited separately in an "Employee Welfare Fund" as a liability of the Bank. There shall be at least 3 (three) members of Management Committee to manage the fund. The Managing Director and CEO of the Bank will be the chairperson of this committee and other 2 (two) members are nominated from the regular category staff.

**Hospitalization Insurance**

The Bank has introduced a health insurance scheme to its confirmed employees and their respective dependents at rates provided in the health insurance coverage policy.

**Performance bonus**

BRAC Bank provides performance bonus to the eligible employees in every year. This bonus amount is being distributed among the employees based on their performance and management decision. The bonus amount is paid annually, normally in the following year and the costs are accounted for in the period to which it relates.

**Annual leave**

The provision for leave fare represents the current outstanding liability to employees at the balance sheet date. Leave Fare Assistance is a non-recurring benefit for all permanent employees of the Bank who are entitled to annual leave. According to Bangladesh Bank policy all permanent employees have to avail 15 consecutive days of mandatory leave and LFA will be given in this leave period.





**Subsidized Scheme - Staff Loan**

Personal, House building and car loans are provided to the permanent staff at a subsidized rate. Criteria and details of types wise staff loan is given below:

**Personal Loan:** A permanent staff can avail personal loan taking approval from department head and head of HR subject to completion of a specific service length and performance rating.

**House building Loan:** A permanent staff completing 5 year of service can avail house building loan taking approval from House Building Loan Committee subject to performance rating and completed service length with BRAC Bank.

**Car Loan:** All confirmed staff at job grade from PO can avail staff car loan taking approval from department head and head of HR.

**2.9 Revenue Recognition**

**Interest Income**

Interest income is recognized on an accruals basis. Interest on loans and advances ceases to be taken into income when such advances are classified, kept in interest suspense account. Interest on classified advances is accounted for on a realization basis as per Bangladesh Bank guidelines.

**Investment Income**

Income on investments is recognized on an accruals basis. Investment income includes interest on treasury bills, treasury bonds, zero coupon, shares, debentures and fixed deposit with other banks.

**Income on Bills purchased and discounted**

Income on Bills purchased and Discounted is recognized on accrual basis.

**Interest and fees receivable on credit cards**

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

**Fees and Commission Income**

The Bank earns fees and commission from a diverse range of services provided to its customers. These include fees and commission income arising on financial and other services provided by the Bank including trade finance, credit cards, debit cards, passport endorsement, visa processing, student service, loan processing, loan syndication, locker facilities and SMS banking etc. Fees and commission income arises on services rendered by the Bank are recognized on a realization basis.

**Dividend Income on Shares**

Dividend income from investment in shares is recognized when the Banks right to receive the dividend is established. It is recognized when:

- a. It is probable that the economic benefit associated with the transaction will flow to the entity; and
- b. The amount of the revenue can be measured reliably.

**Gain or loss on sale of property, plant and equipment**

The gain or loss on the disposal of premises and equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, and is recognized as an item of other income in the year in which the significant risks and rewards of ownership are transferred to the buyer.

**Interest paid and other expenses**

Interest paid and other expenses are recognized on an accrual basis.

**2.10 Earnings Per Share**

Earnings Per Share (EPS) has been computed by dividing the basic earning by the weighted average number of ordinary shares outstanding at the end of the year as per IAS 33 *Earnings Per Share*.

**Basic earnings**

This represents earnings for the year attributable to ordinary shareholders. Net profit after tax less preference dividend has been considered as fully attributable to the ordinary shareholders.

**Weighted average number of ordinary shares outstanding during the year**

This represents the number of ordinary shares outstanding at the beginning of the year plus the number of ordinary shares issued during the year multiplied by a time weighted factor. The time weighting factor is the number of days the specific shares are outstanding as a proportion of the total number of days in the year.

The basis of computation of number of shares is in line with the provisions of IAS 33 *Earnings Per Share*. The logic behind this basis is, that the bonus shares are issued to the existing shareholders without any consideration, and therefore, the number of shares outstanding is increased without an increase in resources generating new earnings. In contrast, other shares were issued against consideration in cash or in kind, and accordingly there is an increase in resource generating new earnings. Therefore, the total number of shares issued in 2018 has been multiplied by a time weighting factor which is the number of days the specific shares were outstanding as a proportion of total number of days in the period.

**Diluted earnings per share**

The objective of diluted earnings per share is consistent with that of basic earnings per share; that is, to provide a measure of the interest of each ordinary share in the performance of an entity taking into account dilutive potential ordinary shares outstanding during the year.





**2.11 Basis of preparation of 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:

- Balances with other bank and financial institutions, money at call and short notice etc. are on the basis of their maturity term.
- Investments are on the basis of their residual maturity term.
- Loans and advances are on the basis of their repayment/ maturity schedule.
- Fixed assets are on the basis of their useful life.
- Other assets are on the basis of their adjustment.
- Borrowing from other banks, financial institutions and agents as per their maturity/ repayment term
- Deposits and other accounts are on the basis of their maturity term and behavioral past trend.
- Other long term liability on the basis of their maturity term.
- Provisions and other liabilities are on the basis of their settlement.

**2.12 Dividend**

Dividend on ordinary shares are recognized as a liability and deducted from retained earnings when they are approved by the shareholders in the Annual General Meeting (AGM) of the Bank.

Dividend on ordinary shares for the year that are recommended by the directors after the balance sheet date for approval of the shareholders at the Annual General Meeting are disclosed in note - 48.6 to the financial statements.

**2.13 Reconciliation of inter-bank/inter-branch account**

Books of accounts with regard to interbank (in Bangladesh and outside Bangladesh) are reconciled on a monthly basis and there are no material differences which may affect the financial statements significantly.

There are no un-reconciled entries related to inter-branch transactions as on the reporting date.

**2.14 Compliance of International Financial Reporting Standard (IFRS)**

| Ref.    | Name of the standards  | Status         |
|---------|--|----------------|
| IFRS-1  | First-time adoption of International financial Reporting Standards       | Not applicable |
| IFRS-2  | Share-based Payment  | Not applicable |
| IFRS-3  | Business Combinations  | Complied       |
| IFRS-4  | Insurance Contracts  | Not applicable |
| IFRS-5  | Non-current assets Held for Sale and Discounted Operations               | Not applicable |
| IFRS-6  | Exploration for and Evaluation of Mineral Resources                      | Not applicable |
| IFRS-7  | Financial Instruments: Disclosures                                       | Complied *     |
| IFRS-8  | Operating Segments   | Complied       |
| IFRS-9  | Financial Instruments  | Complied *     |
| IFRS-10 | Consolidated Financial Statements  | Complied       |
| IFRS-11 | Joint Arrangements   | Not applicable |
| IFRS-12 | Disclosure of Interests in Other Entities                                | Not applicable |
| IFRS-13 | Fair Value Measurement   | Complied       |
| IFRS-14 | Regulatory Deferral Accounts   | Not applicable |
| IFRS-15 | Revenue from Contracts with Customers                                    | Complied       |
| IAS-1   | Presentation of Financial Statements                                     | Complied       |
| IAS-2   | Inventories  | Not applicable |
| IAS-7   | Statement of Cash Flows  | Complied       |
| IAS-8   | Accounting Policies, Changes in Accounting Estimates and Errors          | Complied       |
| IAS-10  | Events after the Reporting Period  | Complied       |
| IAS-12  | Income taxes   | Complied       |
| IAS-16  | Property, Plant and Equipment  | Complied       |
| IAS-17  | Leases   | Complied       |
| IAS-19  | Employee Benefits  | Complied       |
| IAS-20  | Accounting for Government Grants and Disclosure of Government Assistance | Not applicable |
| IAS-21  | The Effect of Changes in Foreign Exchanges Rates.                        | Complied       |
| IAS-23  | Borrowing Cost   | Complied       |
| IAS-24  | Related Party Disclosures  | Complied       |
| IAS-26  | Accounting and Reporting by Retirement Benefit Plans                     | Not applicable |
| IAS-27  | Separate Financial Statements  | Complied       |
| IAS-28  | Investment in Associates   | Complied       |
| IAS-29  | Financial Reporting in Hyperinflationary Economies                       | Not applicable |
| IAS-32  | Financial Instruments: Presentation                                      | Complied *     |
| IAS-33  | Earnings Per Share   | Complied       |
| IAS-34  | Interim Financial Reporting **   | Complied       |
| IAS-36  | Impairment of Assets   | Complied       |
| IAS-37  | Provisions, Contingent Liabilities and Contingent Assets                 | Complied       |
| IAS-38  | Intangible Assets  | Complied       |
| IAS-39  | Financial Instruments: Recognition and Measurement                       | Complied *     |
| IAS-40  | Investment Property  | Not applicable |
| IAS-41  | Agriculture  | Not applicable |

\* Complied to the extent possible subject to compliance to Bangladesh Bank guidelines in this respect.

\*\* Complied in the preparation of interim financial reports of the Bank.





**Reason for departure from IFRS**

The central Bank of Bangladesh ("Bangladesh Bank") as regulator to the Banking Industry has issued a number of circulars/directives which are not consistent with the requirements specified in the IAS/IFRS as referred above. In such cases the Bank has followed the regulatory requirements specified by the Bangladesh Bank (note - 2.1.1).

**Standards issued but not yet effective**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted the following new or amended standards in preparing these financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group and the Bank when will be applicable

**A. IFRS 16 Leases**

As per IFRS 16 *Lease*, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 eliminates the classification of leases by the lessee as either finance leases or operating leases. IFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases. For lessors, IFRS 16 retains most of the requirements in IAS 17. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently. The Bank is reviewing all of the Company's leasing arrangements in light of the new lease accounting rules in IFRS 16.

**B. IFRS 17 Insurance Contracts**

Insurance Contracts are effective for annual periods beginning on or after 1 January 2021. Earlier adoption is permitted. This has not been applied in preparing these consolidated and separate financial statements.

**2.15 Risk Management**

Risk is an inherent part of the business activities and risk management is pivotal for the sustainability of business. This era of globalisation enables hefty expansion of business activities that ultimately increases competition level for organizations drastically. Financial crisis and volatility in economic growth in some developed countries set the example of imperativeness towards comprehensive risk management. Types of risk, however, vary from business to business, but preparing a risk management plan involves a conjoint process. A comprehensive risk management plan must enumerate strategies for dealing with risks specific to any business but should not be limited to those.

When it comes to banking business, risk management is in the heart of this business. Banks are to strive for a prudent risk management discipline to combat unpredictable situation. These days, it is transparent that banking organizations are in need of setting up systematic and vigilant way to monitor the activities that are major influencers of this particular business.

The standards of Risk Management as guided by the Bank for International Settlements (BIS) and particularly Basel Committee on Banking Supervision (BCBS), has been applied by bank regulators across the world. The Central Bank of Bangladesh i.e. Bangladesh Bank also issued revised risk management guidelines in October 2018, which forms the basis of risk management of all scheduled banks in Bangladesh. The guidelines require that the banks adopt enhanced policies and procedures of risk management. The risk management of banks broadly cover 4 (four) core risk areas of banking i.e. a. Credit Risk b. Operational Risk, c. Liquidity Risk & d. Market Risk. Bangladesh Bank also prescribes that there should be separate desk for each of these risk type under risk management division.

BBL's risk management strategy is based on a clear understanding of various risks, disciplined risk assessment & measurement procedures and continuous monitoring. BBL continues to focus on improving its risk management systems not only to ensure compliance with regulatory requirements but also to ensure better risk-adjusted return and optimal capital utilization keeping in mind the business objectives. For sound risk management, BBL manages risk in strategic layer, managerial layer, and operational layer. The assets and liabilities of BRAC Bank Limited is managed so as to minimize (to the degree prudently possible) the Bank's exposure to risk, while at the same time attempting to provide a stable and steadily increasing flow of net interest income, an attractive rate of return on an appropriate level of capital and a level of liquidity adequate to respond to the needs of depositors and borrowers and earnings enhancement opportunities. These objectives are accomplished by setting clear plan with control and reporting process, the key objective of which is the coordinated management of the Bank's assets and liabilities, current banking laws and regulations, as well as prudent and generally acceptable banking practices.

**2.15.1 Credit Risk Management**

Credit risk is most simply defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions. The goal of credit risk management is to maximize a bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters.

Considering key elements of Credit Risk, the Bank has segregated duties of the officers/ executives involved in credit related activities. Separate Division for Corporate, SME, Retail and Credit Cards are entrusted with the duties of maintaining effective relationship with customers, marketing credit products, exploring new business opportunities, etc. For transparency in operations during the entire credit process, teams for i. Credit Approval, ii. Asset Operations, iii. Recovery Unit and Special Asset Management have been set up.

The entire process involves relationship teams of respective Asset Portfolio (Retail, SME and Corporate) booking the clients, the underwriting team conducting thorough assessment before placing the facility for approval from the authority. Risk assessment includes borrower risk analysis, Industry risk analysis, financial risk analysis, security risk analysis, account performance risk analysis & environmental & social risk analysis of the Customer. Post-approval, the Credit Administration Department ensures compliance of all legal formalities, completion of documentation including security of proposed facility and finally disburses the amount. The above arrangement has not only ensured segregation of duties and accountability but also helped in minimizing the risk of compromise with quality of the credit portfolio.





## 2.15.2 Foreign Exchange Risk Management

Foreign Exchange risk arises from fluctuation in currency prices influenced by various macro and micro economic factors. Today's financial institutions engage in activities starting from basic currency buy, sell, imports, exports and remittances to complex structured products. Within the Bank, the Treasury department is vested with the responsibility to measure and minimize the risk associated with bank's foreign currency position.

All treasury functions are clearly demarcated between treasury front office, mid office and back office. The front office is involved only in dealing activities, mid office is involved in monitoring of rate, limit etc. and the back office is responsible for all related processing functions. Treasury front and back office personnel are guided as per Bangladesh Bank core risk management guideline and their respective job description. They are barred from performing each other's job. 'Treasury Front Office', 'Mid office' and 'Treasury Back Office' has separate and independent reporting lines to ensure segregation of duties and accountability but also helps minimize the risk of compromise. The full function is operated under the foreign exchange risk management policy of the bank updated based on the latest Foreign Exchange Guideline of central bank.

Dealing room is well equipped with Reuter's dealing system, Eikon, Bloomberg, a number of FX trading platforms, voice logger etc. State of the art treasury system is in place to ensure Straight Through Processing (STP) of all deals, which also facilitates Mid office in effective monitoring and Back office with different reports along with easy processing of transactions. Counter party limit is set by the Credit Committee and monitored by mid office. Well-articulated dealers trading limit, stop-loss limit and currency wise open position limits are in place which are being monitored by Mid office. Trigger levels are set for the dealers, Chief Dealer and Head of Treasury. The entire FX transactions are carried on by a number of well trained, young and dynamic dealers ensuring all local and global regulatory compliances.

## 2.15.3 Asset Liability Management

Changes in market liquidity and or interest rate exposes Bank's business to the risk of loss, which may, in extreme cases, threaten the survival of the institution. Thus it is essential that the level of balance sheet risks are effectively managed, appropriate policies and procedures are established to control and limit these risks and proper resources are available for evaluating and controlling these risks. The Asset Liability Committee (ALCO) of the bank monitors Balance Sheet risk and liquidity risks of the Bank.

Asset liability Committee (ALCO) reviews the country's overall economic position, Bank's Liquidity position, ALM Ratios, Interest Rate Risk, Capital Adequacy, Deposit Advanced Growth, Cost of Deposit and yield on Advance, F.E. Gap, Market Interest Rate, Loan loss provision adequacy and deposit and lending pricing strategy.

## 2.15.4 Prevention of Money Laundering

In recognition of the fact that financial institutions are particularly vulnerable to be used by money launderers. BRAC Bank has established a Anti Money Laundering Policy. The purpose of the Anti Money Laundering Policy is to provide a guideline within which to comply with the laws and regulations regarding money laundering both at country and international levels and thereby to safeguard the Bank from potential compliance, financial and reputational risks. Know Your Customer (KYC) procedures have been set up with address verification. As apart of monitoring account transaction, the estimated transaction profile and high value transactions are being reviewed electronically. Training has been taken as a continuous process for creating/developing awareness among the officers.

## 2.15.5 Internal Control and Compliance

Internal Control is the mechanism to provide reasonable assurance to Bank on an ongoing basis regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws, regulations and internal policies. The primary objective of Internal Control and Compliance is to help the Bank perform better and add value through use of its resources. Through internal control system, Bank identifies its weaknesses associated with the process and adopts appropriate measures to overcome that.

The main objectives of internal control are as follows:

- Operations Objectives: achievement of bank's basic mission and vision;
- Reporting Objectives: timely, accurate, and comprehensive reporting, financial and non-financial, internal and external; and
- Compliance Objectives: conducting activities and taking specific actions in accordance with applicable laws and regulations.

The Bank has established an effective internal control system whose primary aim is to ensure the overall management of risks and provide reasonable assurance that the objectives set by the Bank will be met. It has been designed to develop a high level risk culture among the personnel of the Bank, establish efficient and effective 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 key functionalities that have been established in reviewing adequacy and integrity of the system of internal controls are as follows:

- Various committees are established by the Board to assist the Board in ensuring the effectiveness of Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- The internal audit department of the Bank checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance.
- Audits are carried out on various departments/units, SME Service Centre and all branches in accordance with the annual audit plan approved by the Audit Committee of the Board. The frequency of audits of branches is determined by the level of risk assessed, to provide an independent and objective report. Findings of the internal audit are submitted to the Audit Committee of the Board for review at their periodic meetings.





**Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)**

d) The Audit Committee of the Board of the Bank reviews internal control issues identified by the Internal Audit Department, Bangladesh Bank, External Auditors and management and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The minutes of the Audit Committee meetings of the Board are tabled at the meetings of the Board of Directors of the Bank on a periodic basis.

e) Self-Assessment of Anti-Fraud Internal Controls is carried out on semi-annual basis and is sent to Bangladesh Bank as per requirement of DOS Circular Letter No. 10, dated 09 May 2017 issued by Bangladesh Bank.

f) In assessing the internal control system, identified officers of the Bank continued to review and update all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Bank. The Internal Audit Department of the Bank continued to verify the suitability of design and effectiveness of these procedures and controls on an ongoing basis.

ICCD of BBL comprises mainly of four units/departments- Internal Audit, Compliance Unit, Monitoring Unit and Concurrent Audit.

**2.15.5.1 Internal Audit**

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. Audit staff of BRAC Bank Limited has combination of business, Professional and IT knowledge based personnel. Audit Department is committed to meet the standards of best professional practices. BBL Audit is applying risk based internal audit methodology for doing their audit functions. Risk based internal audit includes, in addition to selective transaction testing, an evaluation of the risk management systems and control procedures prevailing in various areas of the Bank's operations.

BRAC Bank Limited has a strong internal audit team comprised of three units to carry out the audit activities, namely Head Office Audit, Distribution Audit (which carryout audit on all Branches; including AD, LAD, Corporate Branches, SME Krishi Branch, SME Service Centres; SME Unit Office and ATM Service Centre and Information Systems and Vigilance Audit. BRAC Bank also introduced Risk Based Audit system and audit team conducts comprehensive, spot, surprise audits in various Branches, SME Service Centers, SME/Krishi branches, ATM Service Centers, SME Unit Offices, Information technology, Information Security, Cyber Security, Data Privacy and Protection, various Departments & Division, centralized functional units in Head Office and Regional base functional Unit of BRAC Bank Limited.

Internal Audit helps the organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

**2.15.5.2 Compliance**

BRAC Bank Limited establishes a best compliance culture throughout the organization by encouraging employees to comply with policies, procedures and regulation.

To establish and uphold the momentum of compliance culture, BRAC Bank has strong Compliance Department under Internal Control & Compliance Division which is dedicated for ensuring compliance of guidelines/observations/ recommendations of Regulatory and Internal Audit/Investigation. In line with that 3 (three) separate units are formed under Compliance Department, namely Regulatory Compliance Unit, Internal Compliance Unit, & Investigation Unit.

Compliance team firmly supports Bangladesh Bank Team in their inspection at branches/head office and ensures submission of compliance response to Bangladesh Bank appropriately and timely, monitor compliance activities of Branch, Division, Department and other offices, verify the internal control system of organization operational activities as per Bangladesh Bank and other Regulatory Guidelines. Investigation Unit conducts investigation and submits the report onward as per management requirement and analyze fraud cases to ascertain responsible parties and recommend appropriate action. Compliance Department also ensures required reporting to Management, BAC & Regulators accordingly.

**2.15.5.3 Monitoring**

BRAC Bank has separate monitoring department under Internal Control & Compliance Division which is dedicated to verify the internal control system & operational activities of the Bank on an ongoing basis. Monitoring department ensures maintenance of DCFCL, QOR, LDCL at Branches and Departments as a regulatory requirement and also submits Self-Assessment of Anti-Fraud Internal Controls report and Bank's Health report to Bangladesh Bank.

**2.15.5.4 Concurrent Audit**

As per the directives provided by Bangladesh Bank as Guidelines on Internal Control and Compliance in Banks, Concurrent Audit Department was formed to make it in line with the guidelines. Concurrent audit team scrutinize whether the bank is following the guidelines of internal & regulatory bodies time to time. This unit exclusively conducts spot/ surprise audit of continuing operational activities in various branches, SME Service Centers, SME Krishi Branches, ATM Service Centers, SME Unit Offices, ROC, CRM, Centralized functional units in Head Office of BRAC Bank Limited.

**2.15.5.5 Fraud and Forgery**

Fraud and forgery have become very important issues in recent years. These have a major impact on our country's economy as a whole, impeding the economic development. BRAC Bank has always been very focused in controlling fraud & forgery by establishing and maintaining proper control systems. Now a day's fraud and forgery appears in diverse form. To prevent fraud and forgery, BRAC Bank Limited formed Investigation Unit under Compliance & Monitoring Department of Internal Control & Compliance Division to deal with such kind of incidences. This wing exclusively deals with all kinds of fraud and forgery and act independently as the first contact point/ information unit where internal and external fraud and forgery incidences are escalated, investigated and reviewed.

To protect the bank and its stakeholder's interest, Investigation Team performs thorough investigation to identify the perpetrator and the root cause of the reported incident. As a remedial course of action, preventive measures are recommended to the business/functional unit to take necessary action relating to process improvement, recovery of misappropriated amount, adjustment of the operational loss and to take appropriate action against the perpetrator. The investigation reports are also placed to the Board Audit Committee for their direction and guidance. All fraud and forgery which were identified in 2018 were also duly reported to Bangladesh Bank on regular basis following their prescribed format and adequate provision has been maintained in the books of accounts. On the other hand management is exerting their all-out efforts to recover the loss amount incurred due to fraud.





## 2.15.6 Information and Communication Technology (ICT) Security

As the role of technology increases, business risks due to underlying and unidentified system vulnerabilities also increases. Existence of these risks within the business ecosystem when exploited could lead to severe financial, regulatory and brand impacts. This makes implementation of adequate security controls mandatory. BRAC bank is committed to high levels of service quality and banking security. BRAC Bank Limited is the 1st and only Bangladeshi bank awarded with ISO 27001:2013 certification for Information Security function and has established 24x7 Security Operations Center (SOC).

Protecting the cybersecurity of our critical infrastructure is one of the top priority for the bank. In line with this, Bank has already developed cyber security framework. The Framework is used to align cybersecurity; organize security requirements originating from legislation, regulation, policy, and industry best practice; communicate cybersecurity requirements with stakeholders; measure current state and express desired state; prioritize cybersecurity resources and activities; and analyze with risk appetite.

For ICT risk mitigation, the bank has established ICT security policy which is in line with latest Bangladesh Bank ICT guideline and the vastly practiced framework & international standards; e.g. COBIT, ITIL & ISO 27001. ICT policy is followed by all employees while it ensures overall data and information assurance for the organization. It outlines the responsibilities and requirements of the BRAC Bank Limited (BBL) and its employees with regard to Information Technology (IT) resources.

BRAC Bank has already adopted Information security global standard. BRAC Bank is the 1st and only bank in Bangladesh who achieved ISO 27001:2013 international certificate for information security management function and fulfilled this regulatory mandate. ISO 27001 is the international standard for Information Security Management and formally specifies management system that is intended to bring information security under explicit management control. Accredited international certification to ISO 27001 demonstrates that our bank has a defined and focus on best-practice information security processes with continuous improvement.

BRAC Bank has established 24x7 Security Operations Center (SOC) as the 1st Bangladeshi bank. SOC is a dedicated site where enterprise information systems are monitored, assessed, and defended. Now bank has planned to transform the existing SOC into Advanced Security Intelligence Center (SIC).

BRAC Bank has developed its Cyber security road map and working accordingly to bring the best security solution, processes and practices. BRAC bank does assessment on cyber security standing by top global external party on a regular basis.

BRAC Bank has setup a Cyber Security lab and its Information Security resources are monitoring and continuously doing Vulnerability Assessment & Penetration Testing on Bank Infrastructure by Internal certified ethical hacker to protect its data asset.

BRAC Bank has implemented Anti-APT (Advance Persistent Threat) and NBA (Network Behavior Analysis) solution to prevent any unwanted/unauthorized malware attack based on behavior base static and dynamic analysis on suspicious content and close monitoring on the network flow activity. With modern approaches to APT and NBA, bank can support more comprehensive compliance, help assure business integrity, and tackle security risks while simultaneously realizing the cost benefits and other advantages of improved IT reliability.

BRAC Bank has implemented Privileged Access Management (PAM) solution. The PAM platform for privileged account management, policy, reporting and threat analytics will help to Reduce Privilege Threats with Visibility and Control, Achieve integrated, end-to-end privileged access management, Gain visibility into privileged system and asset security, Understand password, user and account behavior, and comply with regulatory requirement.

BRAC Bank has implemented Data Leakage Prevention (DLP) solution, which is used to detect and prevent the unauthorized use and transmission of sensitive information. It identifies, monitors, and protects data in use (e.g., desktop, laptop), data in motion (e.g., network actions), and data at rest (e.g., databases, file shares). It detect and prevent confidential information from leaving organization's boundaries for any unauthorized use.

BRAC Bank has implemented Secure Internet Gateway. Internet is one of the most powerful tools in our daily activity and at the same time it is one of the most common attack delivery mechanisms used by hackers to infect devices and infiltrate organization network. To ease Internet usage, minimize the web attack vector and enable users to safely use the web, bank has implemented Advanced Secure Gateway.

BRAC Bank has implemented Hard Disk Encryption as data loss prevention initiative, which Protect sensitive data, wherever it is, ensuring access only to authenticated users. BRAC Bank regularly conducts content scanning to identify and remove unauthorized/unwanted contents from end-users' workstations. This helps to establish ethical usage of technology. BRAC Bank has implemented User behavior monitoring solution, this will help to reduce insider threats by detecting the inappropriate actions that can lead to malware infections or data breaches, at the same time monitoring of 3rd party activities.

BRAC Bank has implemented email security to protect email system from spam-based attacks and advance anti-malware protection. It also helps to scan advance email content & attachment, identify & update real-time spams guard.

BRAC Bank regularly monitor and review its privileged accounts by an automated Discovery and Auditing (DNA) tool that provides the true visibility of privileged account risks, enabling them to quantify risk and take the first step towards mitigation.

BRAC Bank has already implemented automated tools for security strengthen of web applications and database. Periodic/on demand scanning is done with this tool.





BRAC Bank has done Process re-engineering; during this process we had also involved global consultant to consider the best practices. As a part of governance initiative, Bank has formed ICT Security steering committee and ICT steering Committee. For emergency response handling Bank has formed Computer Emergency Response Team (CERT) and have developed Business Continuity Program (BCP).

BRAC To enhance Network security and meet up the compliance bank has implemented authentication, authorization and accounting for device as well as users security which is Identity service Engine. By use of it we can protect unauthorized device access to our organizational network.

BRAC Bank regularly conduct face to face information security awareness sessions, cyber security awareness campaign, awareness through email/sticker/booklet/e-book/Poster etc. We made awareness communication externally also.

Bank has taken multiple initiatives on technological transformation and up gradation of legacy systems. We have implemented Dynamic Key exchange with NPSB channel which reduce fraud risk through National Payment Switch Bangladesh (NPSB) channel. We are issuing all new card with more secure EMV chip technology. SWIFT technology up-gradation been done. We are upgrading our card management system, eCommerce System, Call Center System, Internet Banking System etc. to its latest & PADSS compliant version which will help bank to be PCI-DSS compliant. BRAC Bank has adopted ITIL framework of best practice guidance for IT Service Management.

BRAC Bank has multiple security strengthen initiatives in hand; e.g. implementation of Automated Vulnerability Management, Web application firewall (WAF), Advanced firewall etc.

To ensure high level of Quality & security of IT systems and comply with Bangladesh bank regulatory requirement, in BBL there is fully functional Information Security Department (ISD) with trained and certified resources (e.g. CISSO, CPISI, CEH, CPEH, LA-QMS, LA-ISMS, CHFI, LPM, Security+, COBIT etc.) & equipped with automated tools.

## 2.16 Implementation of BASEL- III

To cope up with the international best practices and to make the bank's capital shock absorbent 'Guidelines on Risk Based Capital Adequacy (RBCA) for banks' (Revised Regulatory Capital Framework in line with BASEL II) was introduced from 1 January 2009 as a parallel run with BRPD Circular No. 10, dated 25 November 2002 (BASEL I). At the end of parallel run, BASEL II regime started from January 01, 2010 and the guidelines on RBCA came fully into force with its subsequent supplements/revisions. After that Bangladesh Bank issued 'Guidelines on Risk Based Capital Adequacy (RBCA) for banks' (Revised Regulatory Capital Framework in line with BASEL III) vide its BRPD Circular 18 dated December 21, 2014 that BASEL III reporting start from January 2015 and full implementation will start from January 2019. Instructions regarding Minimum Capital Requirement (MCR), Adequate Capital and Disclosure requirement as stated in the guidelines had to be followed by all scheduled banks for the purpose of statutory compliance. BASEL III framework has three main components referred to as pillars:

- i. Pillar I addresses minimum capital requirement;
- ii. Pillar II elaborates the process for assessing the overall capital adequacy aligned with risk profile of a bank as well as capital growth plan; and
- iii. Finally, Pillar III gives a Framework of public disclosure on the position of a bank's risk profiles, capital adequacy, and risk management system.

Basel III reforms are the response of Basel Committee on Banking Supervision (BCBS) to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy. "Basel III: A global regulatory framework for more resilient banks and banking systems" (known as Basel III capital regulations) in December 2010. Basel III reforms strengthen the bank-level i.e. micro prudential regulation, with the intention to raise the resilience of individual banking institutions in periods of stress. Besides, the reforms have a macro prudential focus also, addressing system wide risks, which can build up across the banking sector, as well as the pro-cyclical amplification of these risks over time. These new global regulatory and supervisory standards mainly addressed the following areas:

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

To ensure smooth transition to Basel III, appropriate transitional arrangements have been provided for meeting the minimum Basel III capital ratios, full regulatory adjustments to the components of capital etc. Consequently, Basel III capital regulations would be fully implemented as on January 1, 2019.

Basel - III is to be calculated both on separate financial statements (SOLO) basis and consolidated basis and both are submitted to Bangladesh Bank accordingly.

We have fully complied with all the directives provided by the Central bank from time to time, starting from Pillar I, II and III reporting requirements to periodic Stress Testing activity etc. Formation of BASEL Steering Committee chaired by the Managing Director of the bank helps us to ensure supreme governance and strict regimentation at execution level. At the end of 2018, all the variables are completely ready to cope up the full implementation of BASEL III.

## 2.17 Off Balance Sheet items

Off Balance Sheet Items include various non-derivative financial instruments primarily letter of credit (L/C), letter of guarantee (L/G), acceptance and endorsements, bills for collection etc. and various derivative instruments like forward contracts and currency rate swaps etc.

### 2.17.1 Derivative financial instruments

The fair value of the derivatives (forward contracts, currency rate swaps etc.) are recognized in the profit and loss of the Bank as per IFRS 9. The value of the contract itself is shown as an item of other contingent liabilities as per Bangladesh Bank guidelines.





**2.17.2 Provision on off balance sheet exposures**

No provision is kept on items of derivatives as there is no exposure on such gross value for the Bank. Provision for other off balance sheet items made as per BRPD circular no. 14 of 23 September 2012 and BRPD circular no. 7 of June 21, 2018 except on 'bills for collection' and 'guarantees' where the counter guarantees have been issued by Multilateral Development Bank (MDB)/International Bank having BB rating grade '1' equivalent outlined in the Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III).

**2.18 Accounting for Changes in Policy, Accounting Estimates and Errors**

IAS - 8 Accounting Policies, Changes in Accounting Estimates and Errors, states that the effect of a change in accounting policy and correction of error if material is to be applied retrospectively and change in an accounting estimate is to be applied prospectively. The carrying amount of assets, liabilities, or equity may be changed following a change in accounting estimates in the period of the change. The Bank followed the same accordingly.

**2.19 Events after reporting period**

As per IAS - 10 "Events after the Reporting Period" events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. Two types of event can be identified:

- (a) Adjusting events after the reporting period which provide evidence of conditions which existed at the end of the reporting period; and
- (b) Non adjusting events after the reporting period, are those that are indicative of conditions that arose after the reporting period.

The details about the events after reporting period can be found at note - 48.6.

**2.20 Related party disclosures**

Related Party is a party related to an entity if:

- (i) Directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under control with, the company; has an interest in the company, that gives it significant influence over the company; or has joint control over the company;
- (ii) The party is an associate (as defined in IAS 28 Investment in Associates);
- (iii) The party is a joint venture in which the entity is a venture (as per IAS 31 Interests in Joint Ventures);
- (iv) The party is member of the key management of personal of the entity or its parent;
- (v) The party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) The party is post-employment benefit plan for the benefit of employees of the entity, or of any entity that is related party of the entity.

**2.21 Director's responsibilities on statement**

The board of directors takes the responsibilities for the preparation and presentation of these financial statements.

**2.22 Segment reporting**

As per IFRS 8 "Operating Segments", an operating segment is a component of an entity:

- (i) That engages in business activities from which it may earn revenues and incur expenses (include revenues and expenses relating to transactions with other components of the same entity);
- (ii) Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performances, and
- (iii) For which discrete financial information is available.

The Bank identifies segment based on its business segment as well as its subsidiaries. Business segment comprises SME, Retail, Corporate and Treasury under Conventional banking.

The Bank reviews the segments at the end of each reporting period to identify which of its segments are reportable and disclose the related information for those reportable segments accordingly. The details of segment reporting is provided in annexure - H.

**2.23 General**

- a) Figures appearing in the financial statements have been rounded off to the nearest Taka.
- b) Figures of previous year have been rearranged wherever considered necessary to conform to the current year's presentation.
- c) The expenses, irrespective of capital or revenue nature, accrued / due but not paid have been provided for in the books of the accounts.





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

Section - Two : Notes to the Balance Sheet

| Particulars  | Note | Consolidated          |                       | BRAC Bank Limited     |                       |
|--|------|-----------------------|-----------------------|-----------------------|-----------------------|
|  |      | 2018                  | 2017                  | 2018                  | 2017                  |
| <b>3 Cash</b>  |      |                       |                       |                       |                       |
| Cash in hand (Including foreign currency)  | 3.1  | 6,674,699,654         | 6,109,792,050         | 6,654,775,781         | 6,092,421,365         |
| Balance with Bangladesh Bank and its agent bank(s) (Including foreign currency)            | 3.2  | 15,719,774,488        | 12,192,061,982        | 15,719,774,488        | 12,192,061,982        |
|  |      | <u>22,394,474,142</u> | <u>18,301,854,032</u> | <u>22,374,550,269</u> | <u>18,284,483,347</u> |
| <b>3.1 Cash in hand (Including foreign currency)</b>                                       |      |                       |                       |                       |                       |
| Local currency   |      | 6,623,054,472         | 6,077,451,688         | 6,603,130,599         | 6,060,081,003         |
| Foreign currency   |      | 51,645,182            | 32,340,362            | 51,645,182            | 32,340,362            |
|  |      | <u>6,674,699,654</u>  | <u>6,109,792,050</u>  | <u>6,654,775,781</u>  | <u>6,092,421,365</u>  |
| <b>3.2 Balance with Bangladesh Bank and its agent bank(s) (Including foreign currency)</b> |      |                       |                       |                       |                       |
| Local currency   |      | 12,206,710,093        | 10,534,870,101        | 12,206,710,093        | 10,534,870,101        |
| Foreign currency   |      | 2,537,371,798         | 973,887,720           | 2,537,371,798         | 973,887,720           |
|  |      | <u>14,744,081,891</u> | <u>11,508,757,821</u> | <u>14,744,081,891</u> | <u>11,508,757,821</u> |
| Sonali Bank as an agent of Bangladesh Bank (local currency)                                |      | 975,692,597           | 683,304,161           | 975,692,597           | 683,304,161           |
|  |      | <u>15,719,774,488</u> | <u>12,192,061,982</u> | <u>15,719,774,488</u> | <u>12,192,061,982</u> |

**3.a Cash Reserve Ratio (CRR)**

As per section 33 of Bank Company Act, 1991 (as amended) and MPD circular no. 1 dated 3 April 2018 issued by Bangladesh Bank with effective from 15 April 2018, BRAC Bank Limited has maintained CRR of minimum 5% (2017: 6%) on daily basis and 5.5% (2017: 6.5%) on bi-weekly basis on average total demand and time liabilities (ATDTL) of the base month which is two months back of reporting month (i.e. CRR of December 2018 is based on weekly average balance of October 2018).

**Daily basis**

Reserves maintained by the bank as at 31 December 2018 are as follows:  
Average total demand and time liabilities of October 2018

|  |                      |                    |
|--|----------------------|--------------------|
|  | 213,421,784,639      | 186,914,617,487    |
| Required reserve (5% of ATDTL) (2017: 6%)                    | 10,671,089,232       | 11,214,877,049     |
| Actual reserve maintained (as per Bangladesh Bank statement) | 13,244,206,653       | 11,807,448,274     |
| Surplus/ (deficit)   | <u>2,573,117,421</u> | <u>592,571,225</u> |

**Bi-weekly basis**

The Bank maintained excess cash reserve of Tk. 12,650,764,790 (Tk. 1,113,482,251 was in 2017 at 6.5% of ATDTL) against minimum requirement of 5.5% (of ATDTL) on bi-weekly basis which is the summation of excess cash reserve maintained over required in the last fortnight (bi-week) of 2018.





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars   | Note | Consolidated          |                       | BRAC Bank Limited     |                       |
|---|------|-----------------------|-----------------------|-----------------------|-----------------------|
|   |      | 2018                  | 2017                  | 2018                  | 2017                  |
| <b>3.b Statutory Liquidity Ratio (SLR)</b>  |      |                       |                       |                       |                       |
| As per section 33 of the Bank Company Act, 1991 (as amended) and MPD circular no. 2 dated 10 December 2013 issued by Bangladesh Bank with effect from 1 February 2014, BRAC Bank Limited has maintained SLR of minimum 13% based on average total demand and time liabilities (ATDTL) of the base month which is two months back of the reporting month (i.e. SLR of December 2018 is based on weekly average balance of October 2018). Reserve maintained by the Bank as at 31 December 2018 are as follows: |      |                       |                       |                       |                       |
| Required reserve (13% of ATDTL)   |      |                       |                       | 27,744,832,003        | 24,298,900,273        |
| Actual reserve maintained (Note: 3.c)   |      |                       |                       | 27,976,996,517        | 25,988,087,598        |
| Surplus   |      |                       |                       | <u>232,164,514</u>    | <u>1,669,187,325</u>  |
| <b>3.c Actual reserve maintained</b>  |      |                       |                       |                       |                       |
| Cash in hand  |      |                       |                       | 6,654,775,781         | 6,092,421,365         |
| Balance with Sonali Bank as per statement   |      |                       |                       | 981,204,341           | 682,642,618           |
| Un-encumbered approved securities (HFT)   |      |                       |                       | 7,410,949,797         | 6,822,982,330         |
| Un-encumbered approved securities (HTM)   |      |                       |                       | 12,928,968,998        | 12,368,096,085        |
| Un-encumbered approved securities (other eligible)  |      |                       |                       | 1,097,600             | 1,945,200             |
|   |      |                       |                       | <u>27,976,996,517</u> | <u>25,988,087,598</u> |
| <b>4 Balance with other Banks and Financial Institutions</b>  |      |                       |                       |                       |                       |
| Inside Bangladesh   | 4.1  | 41,918,719,170        | 39,974,980,085        | 12,484,067,930        | 16,238,997,504        |
| Outside Bangladesh  | 4.2  | <u>2,733,224,751</u>  | <u>3,380,792,280</u>  | <u>2,394,477,206</u>  | <u>3,157,243,725</u>  |
|   |      | <u>44,651,943,921</u> | <u>43,355,772,365</u> | <u>14,878,545,136</u> | <u>19,396,241,229</u> |
| <b>4.1 Balance inside Bangladesh</b>  |      |                       |                       |                       |                       |
| In current deposit accounts with:   |      |                       |                       |                       |                       |
| Banks   |      | 9,338,878,088         | 8,292,658,808         | 1,534,067,930         | 1,238,997,504         |
| Non Banking Financial Institutions (NBFI)   |      | <u>9,338,878,088</u>  | <u>8,292,658,808</u>  | <u>1,534,067,930</u>  | <u>1,238,997,504</u>  |
| Less: Inter unit/company elimination  |      | <u>825,081,677</u>    | <u>496,918,019</u>    |                       |                       |
|   |      | 8,513,796,411         | 7,795,740,789         | 1,534,067,930         | 1,238,997,504         |
| In fixed deposit accounts with:   |      |                       |                       |                       |                       |
| Banks   |      | 22,666,987,885        | 17,615,724,510        | -                     | -                     |
| Non Banking Financial Institutions (NBFI)   |      | <u>10,950,000,000</u> | <u>15,025,053,460</u> | <u>10,950,000,000</u> | <u>15,000,000,000</u> |
| Less: Inter unit/company elimination  |      | <u>33,616,987,885</u> | <u>32,640,777,970</u> | <u>10,950,000,000</u> | <u>15,000,000,000</u> |
|   |      | 212,065,126           | 461,538,674           | -                     | -                     |
|   |      | <u>33,404,922,759</u> | <u>32,179,239,296</u> | <u>10,950,000,000</u> | <u>15,000,000,000</u> |
| <b>Total</b>  |      | <u>41,918,719,170</u> | <u>39,974,980,085</u> | <u>12,484,067,930</u> | <u>16,238,997,504</u> |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars  | Note | Consolidated         |                      | BRAC Bank Limited    |                      |
|--|------|----------------------|----------------------|----------------------|----------------------|
|  |      | 2018                 | 2017                 | 2018                 | 2017                 |
| <b>4.1.1 Balance with other banks and financial institutions (Inside Bangladesh)</b> |      |                      |                      |                      |                      |
| <b>Current Accounts</b>  |      |                      |                      |                      |                      |
| Standard Chartered Bank  |      | 378,543,734          | 167,739,825          | 84,959,156           | 32,490,570           |
| Southeast Bank Limited   |      | 254,997,172          | 553,877,093          | -                    | -                    |
| Al-Arafat Islami Bank Limited  |      | 6,018,358            | 4,966,381            | 1,727,918            | 1,744,060            |
| Jamuna Bank Limited  |      | 424,700,976          | 513,675,984          | 2,132,581            | 1,711,178            |
| Prime Bank Limited   |      | 3,339,129            | 3,361,809            | 3,339,129            | 3,361,809            |
| NRB Global Bank Limited  |      | 500,000              | 500,000              | 500,000              | 500,000              |
| Midland Bank Limited   |      | 1,582,709            | 1,118,519,139        | 1,000,000            | 1,000,000            |
| Mutual Trust Bank Limited  |      | 327,627,720          | 649,916,053          | 2,992,282            | 4,237,089            |
| Pubali Bank Limited  |      | 175,727,921          | 153,470,876          | 158,246,437          | 153,266,732          |
| Janata Bank Limited  |      | 357,153,325          | 309,315,409          | 352,740,270          | 308,597,246          |
| Bangladesh Krishi Bank Limited   |      | 143,673,524          | 173,519,577          | 142,342,823          | 173,519,577          |
| The City Bank Limited  |      | 1,039,730,695        | 1,123,434,583        | 9,990,882            | 4,402,664            |
| Agrani Bank Limited  |      | 532,692,408          | 320,069,714          | 478,920,869          | 269,368,477          |
| Islami Bank Bangladesh Limited   |      | 39,559,462           | 10,471,734           | 15,935,020           | 8,901,635            |
| United Commercial Bank Limited   |      | 1,054,763,844        | 356,744,656          | 5,191,584            | 187,220              |
| National Bank Limited  |      | 16,520,829           | 18,766,141           | 14,574,543           | 18,195,883           |
| Sonali Bank Limited  |      | 280,304,477          | 256,442,839          | 9,545,998            | 47,626,918           |
| Dutch Bangla Bank Limited  |      | 100                  | -                    | 100                  | -                    |
| IFIC Bank Limited  |      | 1,539,324            | 1,856,305            | 1,539,324            | 1,856,305            |
| Rupali Bank Limited  |      | 216,398,512          | 181,665,439          | 209,409,095          | 180,577,899          |
| Social Islami Bank Limited   |      | 1,904,643            | 1,205,293            | 1,904,643            | 1,205,293            |
| First Security Islami Bank Limited   |      | 4,640,942            | 3,081,431            | 2,807,118            | 2,755,150            |
| EXIM Bank Limited  |      | 48,114,793           | 12,451,904           | 12,324,843           | 12,451,904           |
| BASIC Bank Limited   |      | 1,427,673            | 1,427,673            | 1,427,673            | 1,427,673            |
| Bank Asia Limited  |      | 23,889,877           | 1,732,741            | 118,071              | 1,732,741            |
| Standard Bank Limited  |      | 9,409,288            | 221,098              | 3,674,210            | -                    |
| Meghna Bank Limited  |      | 6,761,938            | 6,186,675            | 5,942,467            | 5,381,481            |
| Mercantile Bank Limited  |      | 1,091,025,540        | 10,713,009           | 2,500,000            | 2,500,000            |
| Raishahi Krishi Unnayan Bank   |      | 8,280,894            | -                    | 8,280,894            | -                    |
| Trust Bank Limited   |      | 24,427,704           | 28,287,386           | -                    | -                    |
| Eastern Bank Limited   |      | 533,770,831          | 639,592,553          | -                    | -                    |
| Dhaka Bank Limited   |      | 1,069,432,311        | 944,037,402          | -                    | -                    |
| NCC Bank Limited   |      | 102,984,226          | 177,167,435          | -                    | -                    |
| One Bank Limited   |      | 198,430,468          | 29,990,122           | -                    | -                    |
| Habib Bank Limited   |      | 103,393,611          | -                    | -                    | -                    |
| NRB Commercial Bank Limited  |      | 511,992              | 509,053              | -                    | -                    |
| NRB Bank Limited   |      | 1,667                | 603,317              | -                    | -                    |
| Citibank N.A.  |      | 265                  | 610                  | -                    | -                    |
| AB Bank Limited  |      | 1,381,070            | 843,793              | -                    | -                    |
| Uttara Bank Limited  |      | 28,652,459           | 19,369,730           | -                    | -                    |
| HSBC   |      | -                    | 6,009                | -                    | -                    |
|  |      | <b>8,513,796,411</b> | <b>7,795,740,789</b> | <b>1,534,067,930</b> | <b>1,238,997,504</b> |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars   | Note | Consolidated          |                       | BRAC Bank Limited     |                       |
|---|------|-----------------------|-----------------------|-----------------------|-----------------------|
|   |      | 2018                  | 2017                  | 2018                  | 2017                  |
| <b>Fixed deposit with banks</b>                               |      |                       |                       |                       |                       |
| Southeast Bank Limited  |      | 3,000,000,000         | 3,420,000,000         | -                     | -                     |
| Mutual Trust Bank Limited                                     |      | -                     | 250,000,000           | -                     | -                     |
| The City Bank Limited   |      | 3,200,000,000         | 5,200,000,000         | -                     | -                     |
| NCC Bank Limited  |      | 3,904,200,000         | 3,301,800,000         | -                     | -                     |
| Jamuna Bank Limited   |      | 2,008,192,707         | 1,007,702,988         | -                     | -                     |
| Dhaka Bank Limited  |      | 1,500,000,000         | -                     | -                     | -                     |
| United Commercial Bank Limited                                |      | 4,510,000,000         | -                     | -                     | -                     |
| Mercantile Bank Limited                                       |      | 1,840,000,003         | 1,640,000,003         | -                     | -                     |
| One Bank Limited  |      | 2,250,000,000         | 2,250,000,000         | -                     | -                     |
| Habib Bank Limited  |      | 200,000,000           | -                     | -                     | -                     |
| Standard Chartered Bank                                       |      | 27,243,174            | 26,517,264            | -                     | -                     |
| NRB Global Bank Limited                                       |      | -                     | 38,501,553            | -                     | -                     |
| Padma Bank Limited  |      | 15,286,875            | 19,684,028            | -                     | -                     |
|   |      | <b>22,454,922,759</b> | <b>17,154,185,836</b> |                       |                       |
| <b>Fixed deposit with financial institutions</b>              |      |                       |                       |                       |                       |
| Industrial and Infrastructure Development Finance Co. Limited |      | 500,000,000           | 700,000,000           | 500,000,000           | 700,000,000           |
| Uttara Finance and Investment Limited                         |      | -                     | 500,000,000           | -                     | 500,000,000           |
| United Finance Limited  |      | 700,000,000           | 950,000,000           | 700,000,000           | 950,000,000           |
| IDLC Finance Limited  |      | 2,100,000,000         | 1,600,000,000         | 2,100,000,000         | 1,600,000,000         |
| National Housing Finance and Investment Limited               |      | 750,000,000           | 600,000,000           | 750,000,000           | 600,000,000           |
| Phoenix Finance and Investments Limited                       |      | -                     | 220,053,460           | -                     | 200,000,000           |
| IPDC Finance Ltd  |      | 2,000,000,000         | 2,000,000,000         | 2,000,000,000         | 2,000,000,000         |
| Investment Corporation of Bangladesh (ICB)                    |      | 1,900,000,000         | 3,500,000,000         | 1,900,000,000         | 3,500,000,000         |
| Delta Brac Housing Finance Corporation Limited                |      | 1,500,000,000         | 2,250,000,000         | 1,500,000,000         | 2,250,000,000         |
| Lanka Bangla Finance Co. Limited                              |      | 1,500,000,000         | 2,500,000,000         | 1,500,000,000         | 2,500,000,000         |
| Bay Leasing and Investment Limited                            |      | -                     | 200,000,000           | -                     | 200,000,000           |
| Islamic Finance and Investment Ltd.                           |      | -                     | 5,000,000             | -                     | -                     |
|   |      | <b>10,950,000,000</b> | <b>15,025,053,460</b> | <b>10,950,000,000</b> | <b>15,000,000,000</b> |
|   |      | <b>41,918,719,170</b> | <b>39,974,980,085</b> | <b>12,484,067,930</b> | <b>16,238,997,504</b> |
| <b>4.2 Balance outside Bangladesh</b>                         |      |                       |                       |                       |                       |
| On shore balance  |      | 6,954,015,663         | 2,598,831,484         | 6,615,268,118         | 2,375,282,929         |
| Off shore balance   |      | 869,993,979           | 2,379,400,796         | 869,993,979           | 2,379,400,796         |
|   |      | 7,824,009,642         | 4,978,232,280         | 7,485,262,097         | 4,754,683,725         |
| Less: On shore to BBL off-shore placement                     |      | 5,090,784,891         | 1,597,440,000         | 5,090,784,891         | 1,597,440,000         |
|   |      | <b>2,733,224,751</b>  | <b>3,380,792,280</b>  | <b>2,394,477,206</b>  | <b>3,157,243,725</b>  |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars   | Note | Consolidated         |                      | BRAC Bank Limited    |                      |
|---|------|----------------------|----------------------|----------------------|----------------------|
|   |      | 2018                 | 2017                 | 2018                 | 2017                 |
| <b>4.2.1 Balance with other banks and financial institutions (outside Bangladesh)</b> |      |                      |                      |                      |                      |
| <b>On Shore Balance</b>   |      |                      |                      |                      |                      |
| Standard Chartered Bank-New York, USA   |      | 593,071,036          | 126,869,320          | 593,071,036          | 126,869,320          |
| Standard Chartered Bank, United Kingdom   |      | 151,828,247          | 38,948,377           | 151,828,247          | 38,948,377           |
| Standard Chartered Bank, Frankfurt, Germany   |      | (28,682,956)         | 1,260,718            | (28,682,956)         | 1,260,718            |
| Mashreq Bank, New York, USA   |      | 335,782,977          | (756,213)            | 335,782,977          | (756,213)            |
| Bank of Tokyo Mitsubishi  |      | 1,792,728            | 8,102,632            | 1,792,728            | 8,102,632            |
| ICICI Bank Limited, Mumbai, India   |      | 9,624,572            | 82,464,531           | 9,624,572            | 82,464,531           |
| Zuercher Kantonal Bank, Switzerland   |      | 46,845,858           | 23,912,932           | 46,845,858           | 23,912,932           |
| ING Belgium NV/SA, Belgium  |      | 1,031,311            | 88,480               | 1,031,311            | 88,480               |
| Commerz Bank AG, Germany (USD)  |      | 17,595,361           | 3,875,664            | 17,595,361           | 3,875,664            |
| Commerz Bank AG, Germany (EURO)   |      | (7,265,048)          | 25,427,553           | (7,265,048)          | 25,427,553           |
| United Bank of India, Kolkata, India  |      | 11,093,684           | 78,316,612           | 11,093,684           | 78,316,612           |
| Westpack Banking Corporation, Australia   |      | -                    | 7,985,968            | -                    | 7,985,968            |
| JP Morgan Chase Bank, New York, USA   |      | 313,447,753          | 331,296,868          | 313,447,753          | 331,296,868          |
| HDFC Bank Limited, India  |      | 16,578,124           | 22,162,091           | 16,578,124           | 22,162,091           |
| Habib Metro Bank Limited  |      | 20,366,248           | -                    | 20,366,248           | -                    |
| JP Morgan Chase Bank, Sydney (AUD)  |      | 6,225,590            | -                    | 6,225,590            | -                    |
| Sonali Bank Limited, United Kingdom (GBP)   |      | -                    | 184,405              | -                    | 184,405              |
| AB Bank Limited, Mumbai, India  |      | 5,400,435            | 2,126,940            | 5,400,435            | 2,126,940            |
| AXIS Bank limited   |      | 29,747,307           | 25,576,051           | 29,747,307           | 25,576,051           |
| Balance with different banks maintained by BRAC SAAJAN Exchange Limited               |      | 338,747,545          | 223,548,555          | -                    | -                    |
|   |      | <u>1,863,230,772</u> | <u>1,001,391,484</u> | <u>1,524,483,227</u> | <u>777,842,929</u>   |
| On shore to off shore placement   |      | 5,090,784,891        | 1,597,440,000        | 5,090,784,891        | 1,597,440,000        |
| <b>Total on shore balance</b>   |      | <b>6,954,015,663</b> | <b>2,598,831,484</b> | <b>6,615,268,118</b> | <b>2,375,282,929</b> |
| <b>Off shore balance</b>  |      |                      |                      |                      |                      |
| Standard Chartered Bank, Frankfurt, Germany   |      | 27,725,776           | 63,831,720           | 27,725,776           | 63,831,720           |
| Standard Chartered Bank, New York   |      | 24,617,446           | 468,011,012          | 24,617,446           | 468,011,012          |
| Commerz Bank, Germany   |      | 26,196,742           | 25,962,703           | 26,196,742           | 25,962,703           |
| ICICI Bank Limited, Mumbai, India   |      | 325,470              | 322,562              | 325,470              | 322,562              |
| Sonali Bank Limited, United Kingdom (GBP)   |      | 175,306              | -                    | 175,306              | -                    |
| Standard Chartered Bank, UK   |      | (43,630,060)         | (29,335,371)         | (43,630,060)         | (29,335,371)         |
| JP Morgan Chase Bank, New York  |      | 519,000,348          | 5,594,757            | 519,000,348          | 5,594,757            |
| BBL OBU to Other Bank OBU placement   |      | 315,582,951          | 1,845,013,413        | 315,582,951          | 1,845,013,413        |
| Total off shore balance   |      | 869,993,979          | 2,379,400,796        | 869,993,979          | 2,379,400,796        |
|   |      | <u>7,824,009,642</u> | <u>4,978,232,280</u> | <u>7,485,262,097</u> | <u>4,754,683,725</u> |
| Less: On shore to BBL off-shore placement   |      | 5,090,784,891        | 1,597,440,000        | 5,090,784,891        | 1,597,440,000        |
|   |      | <u>2,733,224,751</u> | <u>3,380,792,280</u> | <u>2,394,477,206</u> | <u>3,157,243,725</u> |

\*There are some unreconciled entries as on 31 December 2018 and status of unreconciled entries are given in Annexure-B and detail balance are shown in Annexure -C.





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars   | Note  | Consolidated          |                       | BRAC Bank Limited     |                       |
|---|-------|-----------------------|-----------------------|-----------------------|-----------------------|
|   |       | 2018                  | 2017                  | 2018                  | 2017                  |
| <b>4.a Maturity grouping of balance with other banks and financial institutions</b> |       |                       |                       |                       |                       |
| Up to 1 months  |       | 11,422,716,156        | 10,253,202,446        | 4,116,305,254         | 3,476,370,912         |
| More than 1 month but not more than 3 months  |       | 13,433,079,882        | 8,320,260,306         | 8,912,239,882         | 5,238,800,000         |
| More than 3 months but not more than 1 Year   |       | 19,796,147,883        | 24,782,309,613        | 1,850,000,000         | 10,681,070,317        |
| More than 1 year but not more than 5 years  |       | -                     | -                     | -                     | -                     |
| More than 5 years   |       | -                     | -                     | -                     | -                     |
|   |       | <u>44,651,943,921</u> | <u>43,355,772,365</u> | <u>14,878,545,136</u> | <u>19,396,241,229</u> |
| <b>5 Money at call on short notice</b>  |       |                       |                       |                       |                       |
| There was no balance as money at call on short notice at the end of the year.       |       |                       |                       |                       |                       |
| <b>6 Investments</b>  |       |                       |                       |                       |                       |
| Government  | 6.1   | 27,925,905,144        | 19,193,023,616        | 20,341,016,406        | 19,193,023,616        |
| Others  | 6.2   | 7,207,368,183         | 7,696,138,091         | 5,424,101,835         | 5,773,231,812         |
|   |       | <u>35,133,273,327</u> | <u>26,889,161,707</u> | <u>25,765,118,241</u> | <u>24,966,255,428</u> |
| <b>6.1 Government (investment in Govt. securities)</b>                              |       |                       |                       |                       |                       |
| Bangladesh Bank bills   | 6.1.1 | -                     | 2,497,936,800         | -                     | 2,497,936,800         |
| Treasury bills  | 6.1.2 | 13,815,997,743        | 1,487,397,269         | 6,231,109,005         | 1,487,397,269         |
| Treasury bonds  | 6.1.3 | 14,108,809,801        | 15,205,744,347        | 14,108,809,801        | 15,205,744,347        |
| Prize bonds   |       | 1,097,600             | 1,945,200             | 1,097,600             | 1,945,200             |
|   |       | <u>27,925,905,144</u> | <u>19,193,023,616</u> | <u>20,341,016,406</u> | <u>19,193,023,616</u> |
| <b>6.1.1 Bangladesh Bank Bills</b>  |       |                       |                       |                       |                       |
| 14 days Bangladesh Bank bills   |       | -                     | 2,497,936,800         | -                     | 2,497,936,800         |
|   |       | <u>-</u>              | <u>2,497,936,800</u>  | <u>-</u>              | <u>2,497,936,800</u>  |
| <b>6.1.2 Treasury bills</b>   |       |                       |                       |                       |                       |
| Treasury bills (91 Days)  |       | 2,900,000,000         | 135,082,206           | 2,900,000,000         | 135,082,206           |
| Treasury bills (182 Days)   |       | 8,974,746,243         | 719,940,240           | 1,389,857,505         | 719,940,240           |
| Treasury bills (364 Days)   |       | 1,941,251,500         | 632,374,823           | 1,941,251,500         | 632,374,823           |
|   |       | <u>13,815,997,743</u> | <u>1,487,397,269</u>  | <u>6,231,109,005</u>  | <u>1,487,397,269</u>  |
| <b>6.1.3 Treasury Bonds</b>   |       |                       |                       |                       |                       |
| Treasury bonds (2 years BGTB)   |       | -                     | 1,991,482,000         | -                     | 1,991,482,000         |
| Treasury bonds (5 years BGTB)   |       | 2,518,416,245         | 3,071,141,392         | 2,518,416,245         | 3,071,141,392         |
| Treasury bonds (10 years BGTB)  |       | 2,097,808,171         | 2,378,395,997         | 2,097,808,171         | 2,378,395,997         |
| Treasury bonds (15 years BGTB)  |       | 3,077,540,085         | 3,067,617,809         | 3,077,540,085         | 3,067,617,809         |
| Treasury bonds (20 years BGTB)  |       | 5,248,359,190         | 4,697,107,149         | 5,248,359,190         | 4,697,107,149         |
| Reverse REPO  |       | 1,166,686,110         | -                     | 1,166,686,110         | -                     |
|   |       | <u>14,108,809,801</u> | <u>15,205,744,347</u> | <u>14,108,809,801</u> | <u>15,205,744,347</u> |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars   | Note  | Consolidated         |                      | BRAC Bank Limited    |                      |
|---|-------|----------------------|----------------------|----------------------|----------------------|
|   |       | 2018                 | 2017                 | 2018                 | 2017                 |
| <b>6.2 Others (investment in other than Govt. securities)</b>                 |       |                      |                      |                      |                      |
| Zero Coupon Bond  | 6.2.1 | 163,691,225          | 175,823,886          | 163,691,225          | 175,823,886          |
| Corporate bonds   | 6.2.2 | 2,060,000,000        | 2,987,000,000        | 2,060,000,000        | 2,987,000,000        |
| Ordinary shares and Mutual Funds (MFs) - unquoted and quoted                  | 6.2.3 | 4,962,596,133        | 4,497,785,635        | 3,179,329,785        | 2,579,152,566        |
| Preference shares   | 6.2.4 | 20,000,000           | 30,000,000           | 20,000,000           | 30,000,000           |
| Private Placement and Pre IPO   | 6.2.5 | 1,080,825            | 5,528,570            | 1,080,825            | 1,255,360            |
|   |       | <u>7,207,368,183</u> | <u>7,696,138,091</u> | <u>5,424,101,835</u> | <u>5,773,231,812</u> |
| <b>Investment in ordinary and preference shares are shown in Annexure - D</b> |       |                      |                      |                      |                      |
| <b>6.2.1 Zero Coupon Bond</b>   |       |                      |                      |                      |                      |
| Impress Newtux Composite Textiles Limited                                     |       | 163,691,225          | 175,823,886          | 163,691,225          | 175,823,886          |
|   |       | <u>163,691,225</u>   | <u>175,823,886</u>   | <u>163,691,225</u>   | <u>175,823,886</u>   |
| <b>6.2.2 Corporate bonds</b>  |       |                      |                      |                      |                      |
| First Security Islami Bank Limited Mudaraba Subordinated Bond                 |       | -                    | 40,000,000           | -                    | 40,000,000           |
| Jamuna Bank II Floating Rate Subordinated Bond                                |       | 450,000,000          | 450,000,000          | 450,000,000          | 450,000,000          |
| Trust Bank unsecured, non Convertible, Subordinated Bond                      |       | -                    | 6,000,000            | -                    | 6,000,000            |
| UCBL Variable rate Subordinated Bond  |       | 70,000,000           | 100,000,000          | 70,000,000           | 100,000,000          |
| MBL Variable rate Subordinated Bond   |       | 600,000,000          | 800,000,000          | 600,000,000          | 800,000,000          |
| City Bank Floating Rate Subordinated Bond                                     |       | -                    | 411,000,000          | -                    | 411,000,000          |
| Bank Asia Floating Rate Subordinated Bond                                     |       | 80,000,000           | 100,000,000          | 80,000,000           | 100,000,000          |
| EBL Floating Rate Subordinated Bond   |       | 80,000,000           | 100,000,000          | 80,000,000           | 100,000,000          |
| Prime Bank Floating Rate Subordinated Bond                                    |       | 80,000,000           | 100,000,000          | 80,000,000           | 100,000,000          |
| EXIM Bank Mudaraba Subordinated Floating Rate Bond                            |       | 200,000,000          | 250,000,000          | 200,000,000          | 250,000,000          |
| AB Bank Floating Rate Subordinated Bond                                       |       | 60,000,000           | 80,000,000           | 60,000,000           | 80,000,000           |
| AB Bank Floating Rate Subordinated Bond II                                    |       | 240,000,000          | 300,000,000          | 240,000,000          | 300,000,000          |
| MTBL Floating Rate Subordinated Bond  |       | 200,000,000          | 250,000,000          | 200,000,000          | 250,000,000          |
|   |       | <u>2,060,000,000</u> | <u>2,987,000,000</u> | <u>2,060,000,000</u> | <u>2,987,000,000</u> |
| <b>Ordinary shares and Mutual Funds (MFs) - unquoted and quoted</b>           |       |                      |                      |                      |                      |
| <b>Unquoted</b>   |       |                      |                      |                      |                      |
| Industrial and Infrastructure Development Finance Company Limited             |       | 29,683,820           | 29,683,820           | 29,683,820           | 29,683,820           |
| Bangladesh Rating Agency Limited  |       | 12,497,600           | 12,497,600           | 12,497,600           | 12,497,600           |
| Central Depository Bangladesh Ltd   |       | 6,277,770            | 16,277,770           | 6,277,770            | 16,277,770           |
| Investment in non publicly traded Mutual Fund                                 |       | 540,705,000          | 433,900,000          | 540,705,000          | 433,900,000          |
| Others  |       | 96,986,595           | 57,037,494           | -                    | -                    |
|   |       | <u>4,276,445,348</u> | <u>3,948,388,951</u> | <u>2,590,165,595</u> | <u>2,086,793,376</u> |
| <b>Quoted</b>   |       |                      |                      |                      |                      |
| Investment in secondary market  |       | 4,962,596,133        | 4,497,785,635        | 3,179,329,785        | 2,579,152,566        |
| <b>Total ordinary shares and MFs (unquoted and quoted) at cost</b>            |       | <u>4,962,596,133</u> | <u>4,497,785,635</u> | <u>3,179,329,785</u> | <u>2,579,152,566</u> |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars                                     | Note | Consolidated           |                        | BRAC Bank Limited      |                        |
|---|------|------------------------|------------------------|------------------------|------------------------|
|   |      | 2018                   | 2017                   | 2018                   | 2017                   |
| <b>6.2.4 Preference shares</b>                  |      |                        |                        |                        |                        |
| Union Capital Preference Share                  |      | 20,000,000             | 30,000,000             | 20,000,000             | 30,000,000             |
|   |      | <u>20,000,000</u>      | <u>30,000,000</u>      | <u>20,000,000</u>      | <u>30,000,000</u>      |
| <b>6.2.5 Private placement and pre IPO</b>      |      |                        |                        |                        |                        |
| Runner Automobiles Limited                      |      | 1,080,825              | -                      | 1,080,825              | -                      |
| Aman Cotton Fibrous Limited                     |      | -                      | 1,255,360              | -                      | 1,255,360              |
| Subsidiaries IPO investment                     |      | -                      | 4,273,210              | -                      | -                      |
|   |      | <u>1,080,825</u>       | <u>5,528,570</u>       | <u>1,080,825</u>       | <u>1,255,360</u>       |
| <b>6.a Maturity wise grouping of Investment</b> |      |                        |                        |                        |                        |
| Up to 1 months                                  |      | 7,800,401,756          | 6,662,779,927          | 6,657,949,305          | 5,306,615,616          |
| More than 1 month but not more than 3 months    |      | 1,500,938,330          | 859,342,692            | 1,500,938,330          | 859,342,692            |
| More than 3 months but not more than 1 Year     |      | 6,699,551,236          | 1,645,279,202          | 2,363,279,565          | 1,135,574,723          |
| More than 1 year but not more than 5 years      |      | 7,758,224,089          | 8,264,031,484          | 7,661,237,494          | 8,206,993,990          |
| More than 5 years                               |      | 11,374,157,916         | 9,457,728,402          | 7,581,713,547          | 9,457,728,407          |
|   |      | <u>35,133,273,327</u>  | <u>26,889,161,707</u>  | <u>25,765,118,241</u>  | <u>24,966,255,428</u>  |
| <b>7 Loans and advances</b>                     |      |                        |                        |                        |                        |
| Loans, cash credits, overdrafts etc.            | 7.1  | 139,883,617,667        | 116,620,559,298        | 139,491,321,275        | 115,748,920,643        |
| Small and medium enterprises                    |      | 80,422,409,963         | 81,064,166,152         | 80,422,409,963         | 81,064,166,152         |
| Bills purchased and discounted                  | 7.2  | 18,094,372,030         | 5,746,293,951          | 18,094,372,030         | 5,746,293,951          |
|   |      | <u>238,400,399,660</u> | <u>203,431,019,401</u> | <u>238,008,103,268</u> | <u>202,559,380,746</u> |
| <b>7.1 Loans, cash credits, overdrafts etc.</b> |      |                        |                        |                        |                        |
| Overdrafts                                      |      | 12,099,439,558         | 4,832,391,842          | 12,099,439,558         | 4,832,391,842          |
| Demand loans                                    |      | 53,357,801,156         | 45,674,682,799         | 53,357,801,156         | 45,674,682,799         |
| Term loans                                      |      | 67,125,500,415         | 59,726,766,919         | 67,125,500,415         | 59,726,766,919         |
| Lease receivables                               |      | 1,253,917,260          | 752,976,542            | 1,253,917,260          | 752,976,542            |
| Credit Cards                                    |      | 4,638,049,723          | 3,834,679,214          | 4,638,049,723          | 3,834,679,214          |
| Staff loans                                     |      | 1,016,613,163          | 927,423,327            | 1,016,613,163          | 927,423,327            |
| Margin loan                                     |      | 1,873,912,707          | 1,863,756,630          | -                      | -                      |
|   |      | <u>141,365,233,982</u> | <u>117,612,677,273</u> | <u>139,491,321,275</u> | <u>115,748,920,643</u> |
| Less: Inter company elimination                 |      | 1,481,616,315          | 992,117,975            | -                      | -                      |
|   |      | <u>139,883,617,667</u> | <u>116,620,559,298</u> | <u>139,491,321,275</u> | <u>115,748,920,643</u> |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars  | Consolidated           |                        | BRAC Bank Limited      |                        |
|--|------------------------|------------------------|------------------------|------------------------|
|  | 2018                   | 2017                   | 2018                   | 2017                   |
| <b>7.2 Bills purchased and discounted</b>                          |                        |                        |                        |                        |
| Bills purchased and discounted                                     | 17,792,218,334         | 5,199,017,616          | 17,792,218,334         | 5,199,017,616          |
| Bills purchased and discounted SME                                 | 302,153,696            | 547,276,335            | 302,153,696            | 547,276,335            |
|  | <u>18,094,372,030</u>  | <u>5,746,293,951</u>   | <u>18,094,372,030</u>  | <u>5,746,293,951</u>   |
| <b>7.3 Net loans and advances</b>                                  |                        |                        |                        |                        |
| Gross loans and advances   | 238,400,399,660        | 203,431,019,401        | 238,008,103,268        | 202,559,380,746        |
| Less: Interest suspense  | 728,543,524            | 687,170,604            | 728,543,524            | 687,170,604            |
| Less: Provision for loans and advances                             | 8,629,577,443          | 9,048,559,795          | 7,570,512,834          | 7,989,495,186          |
|  | <u>229,042,278,693</u> | <u>193,695,289,002</u> | <u>229,709,046,910</u> | <u>193,882,714,956</u> |
| <b>7.4 Loans and advances under the following broad categories</b> |                        |                        |                        |                        |
| <b>Inside Bangladesh:</b>  |                        |                        |                        |                        |
| Loans  | 216,642,198,004        | 183,432,140,497        | 216,249,901,612        | 182,560,501,842        |
| Cash credits   | -                      | -                      | -                      | -                      |
| Overdrafts*  | 21,758,201,656         | 19,998,878,904         | 21,758,201,656         | 19,998,878,904         |
|  | <u>238,400,399,660</u> | <u>203,431,019,401</u> | <u>238,008,103,268</u> | <u>202,559,380,746</u> |
| <b>Outside Bangladesh:</b>   |                        |                        |                        |                        |
| Loans  | -                      | -                      | -                      | -                      |
| Cash credits   | -                      | -                      | -                      | -                      |
| Overdrafts   | -                      | -                      | -                      | -                      |
|  | <u>-</u>               | <u>-</u>               | <u>-</u>               | <u>-</u>               |
|  | <u>238,400,399,660</u> | <u>203,431,019,401</u> | <u>238,008,103,268</u> | <u>202,559,380,746</u> |
| *All loan and overdrafts are including SME.                        |                        |                        |                        |                        |
| <b>7.5 Geographical location wise portfolio grouping</b>           |                        |                        |                        |                        |
| <b>Inside Bangladesh:</b>  |                        |                        |                        |                        |
| Dhaka Division   | 172,686,636,353        | 145,147,650,323        | 172,294,339,961        | 144,276,011,668        |
| Chattogram Division  | 24,655,135,563         | 22,759,165,182         | 24,655,135,563         | 22,759,165,182         |
| Khulna Division  | 11,089,933,616         | 8,499,889,028          | 11,089,933,616         | 8,499,889,028          |
| Sylhet Division  | 4,390,368,381          | 3,827,316,840          | 4,390,368,381          | 3,827,316,840          |
| Barisal Division   | 3,341,293,570          | 2,953,303,277          | 3,341,293,570          | 2,953,303,277          |
| Rajshahi Division  | 12,830,319,180         | 11,214,536,430         | 12,830,319,180         | 11,214,536,430         |
| Rangpur Division   | 3,721,890,260          | 3,153,483,201          | 3,721,890,260          | 3,153,483,201          |
| Mymensingh Division  | 5,684,822,737          | 5,875,675,120          | 5,684,822,737          | 5,875,675,120          |
|  | <u>238,400,399,660</u> | <u>203,431,019,401</u> | <u>238,008,103,268</u> | <u>202,559,380,746</u> |
| <b>Outside Bangladesh</b>  | <u>238,400,399,660</u> | <u>203,431,019,401</u> | <u>238,008,103,268</u> | <u>202,559,380,746</u> |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars  | Note | Consolidated           |                        | BRAC Bank Limited      |                        |
|--|------|------------------------|------------------------|------------------------|------------------------|
|  |      | 2018                   | 2017                   | 2018                   | 2017                   |
| <b>7.6 Loans and advances on the basis of significant concentration</b>  |      |                        |                        |                        |                        |
| <b>7.6.1 Loans and advances to directors, executives and others</b>  |      |                        |                        |                        |                        |
| Directors and others   |      | 114,806                | 403,696                | 114,806                | 403,696                |
| Staff  |      |                        | 774,915                |                        | 774,915                |
| Managing Director and CEO  |      |                        | 223,537,989            |                        | 223,537,989            |
| Senior executives  |      | 231,570,310            | 703,110,423            | 231,570,310            | 703,110,423            |
| Other executives and staffs  |      | 785,042,853            | 927,423,327            | 785,042,853            | 927,423,327            |
|  |      | 1,016,613,163          |                        | 1,016,613,163          |                        |
| Industries:  |      |                        |                        |                        |                        |
| Agro-based   |      | 16,191,056,670         | 7,998,551,158          | 16,191,056,670         | 7,998,551,158          |
| Large and medium   |      | 80,781,839,357         | 51,189,896,880         | 80,781,839,357         | 51,189,896,880         |
| Small and cottage  |      | 8,225,056,479          | 1,249,733,945          | 8,225,056,479          | 1,249,733,945          |
| Service industry   |      | 16,209,261,756         | 9,215,899,231          | 16,209,261,756         | 9,215,899,231          |
|  |      | 121,407,214,262        | 69,654,081,214         | 121,407,214,262        | 69,654,081,214         |
| Agricultural   |      | 2,789,736,560          | 1,954,130,689          | 2,789,736,560          | 1,954,130,689          |
| Consumers  |      | 41,348,010,136         | 35,909,952,985         | 41,348,010,136         | 35,909,952,985         |
| Trade and commercial   |      | 71,838,710,733         | 94,985,027,490         | 71,446,414,341         | 94,113,388,835         |
|  |      | <b>238,400,399,660</b> | <b>203,431,019,401</b> | <b>238,008,103,268</b> | <b>202,559,380,746</b> |
| <b>7.6.2 Staff loan</b>  |      |                        |                        |                        |                        |
| Personal loan  |      | 84,111,699             | 84,116,621             | 84,111,699             | 84,116,621             |
| Car and motorcycle loan  |      | 365,583,883            | 338,435,545            | 365,583,883            | 338,435,545            |
| House building loan  |      | 566,917,581            | 504,871,161            | 566,917,581            | 504,871,161            |
|  |      | <b>1,016,613,163</b>   | <b>927,423,327</b>     | <b>1,016,613,163</b>   | <b>927,423,327</b>     |
| <b>7.7 Detail of large loan</b>  |      |                        |                        |                        |                        |
| Number of clients with amount outstanding (funded and non funded) and classification status to whom loans and advances sanctioned exceeds 10% of the total capital of the Bank. Total capital of the Bank was Taka 39,451 million on consolidated basis and Taka 31,937 million on standalone basis as at 31 December 2018 (Taka 26,982 million and 26,634 million as at 31 December 2017 respectively). (Details are shown in Annexure - E) |      |                        |                        |                        |                        |
| Number of clients  |      |                        |                        |                        |                        |
| Amount of outstanding loans and advances   |      |                        |                        |                        |                        |
| Amount of classified loans and advances  |      |                        |                        |                        |                        |

|                |                |
|----------------|----------------|
| 23             | 24             |
| 64,039,799,318 | 61,782,737,776 |
| -              | -              |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars  | Note | Consolidated                  |                               | BRAC Bank Limited             |                               |
|--|------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|  |      | 2018                          | 2017                          | 2018                          | 2017                          |
| <b>7.8 Classified and unclassified loans and advances</b>  |      |                               |                               |                               |                               |
| <i>Unclassified</i>  |      |                               |                               |                               |                               |
| Standard (including staff loan)  |      | 227,980,092,710               | 193,778,985,743               | 228,809,021,793               | 194,121,311,600               |
| Special Mention Accounts (SMA)   |      | 1,820,341,210                 | 1,217,109,255                 | 1,820,341,210                 | 1,217,109,255                 |
|  |      | <u>229,800,433,920</u>        | <u>194,996,094,998</u>        | <u>230,629,363,003</u>        | <u>195,338,420,855</u>        |
| <i>Classified</i>  |      |                               |                               |                               |                               |
| Sub-standard   |      | 872,254,570                   | 1,289,414,776                 | 872,254,570                   | 1,289,414,776                 |
| Doubtful   |      | 702,638,718                   | 1,190,620,473                 | 702,638,718                   | 1,190,620,473                 |
| Bad/Loss   |      | 7,025,072,452                 | 5,954,889,154                 | 5,803,846,977                 | 4,740,924,642                 |
|  |      | <u>8,599,965,740</u>          | <u>8,434,924,403</u>          | <u>7,378,740,265</u>          | <u>7,220,959,891</u>          |
|  |      | <u><b>238,400,399,660</b></u> | <u><b>203,431,019,401</b></u> | <u><b>238,008,103,268</b></u> | <u><b>202,559,380,746</b></u> |
| <b>7.8.1 Business segment wise concentration of classified Loans and Advances/ NPL of the Bank</b> |      |                               |                               |                               |                               |
| Corporate  |      | 3,936,998,546                 | 4,450,053,613                 | 3,936,998,546                 | 4,450,053,613                 |
| Retail   |      | 2,228,374,774                 | 2,026,863,134                 | 1,007,149,299                 | 812,898,622                   |
| Small and medium enterprises   |      | 2,434,592,420                 | 1,958,007,656                 | 2,434,592,420                 | 1,958,007,656                 |
|  |      | <u><b>8,599,965,740</b></u>   | <u><b>8,434,924,403</b></u>   | <u><b>7,378,740,265</b></u>   | <u><b>7,220,959,891</b></u>   |
| <b>7.8.2 Sector wise concentration of classified Loans and Advances/ NPL of the Bank</b>           |      |                               |                               |                               |                               |
| Agriculture  |      | 24,741,551                    | 20,326,051                    | 24,741,551                    | 20,326,051                    |
| Communication  |      | -                             | 1,349,353,032                 | -                             | 1,349,353,032                 |
| Consumer Credit  |      | 319,894,612                   | 227,112,103                   | 319,894,612                   | 227,112,103                   |
| Construction   |      | -                             | -                             | -                             | -                             |
| Other Manufacturing Industries   |      | 1,279,450,365                 | 328,198,065                   | 1,279,450,365                 | 328,198,065                   |
| Power, Gas   |      | -                             | 212,337,066                   | -                             | 212,337,066                   |
| Residential Real Estate Financing  |      | 636,087,691                   | 450,397,360                   | 636,087,691                   | 450,397,360                   |
| Readymade Garments   |      | 71,796,636                    | 55,144,402                    | 71,796,636                    | 55,144,402                    |
| Textile  |      | 288,338,793                   | 153,017,081                   | 288,338,793                   | 153,017,081                   |
| Ship Building  |      | -                             | 30,424,860                    | -                             | 30,424,860                    |
| SME Loans  |      | 2,135,175,005                 | 2,702,829,957                 | 2,135,175,005                 | 2,702,829,957                 |
| Trade Service  |      | 3,250,437,747                 | 2,905,784,426                 | 2,029,212,272                 | 1,691,819,914                 |
| Others   |      | 594,043,340                   | -                             | 594,043,340                   | -                             |
| Total  |      | <u><b>8,599,965,740</b></u>   | <u><b>8,434,924,403</b></u>   | <u><b>7,378,740,265</b></u>   | <u><b>7,220,959,891</b></u>   |
| <b>7.8.3 Movements of classified Loans and Advances</b>  |      |                               |                               |                               |                               |
| Opening balance  |      | 8,434,924,403                 | 9,003,974,861                 | 7,220,959,891                 | 5,910,644,512                 |
| Additions during the year  |      | 2,953,173,730                 | 3,480,147,121                 | 2,945,912,767                 | 3,479,579,148                 |
| Reductions during the year   |      | <u>2,788,132,393</u>          | <u>4,049,197,579</u>          | <u>2,788,132,393</u>          | <u>2,169,263,769</u>          |
|  |      | <u><b>8,599,965,740</b></u>   | <u><b>8,434,924,403</b></u>   | <u><b>7,378,740,265</b></u>   | <u><b>7,220,959,891</b></u>   |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars  | Consolidated           |                        | BRAC Bank Limited      |                        |
|--|------------------------|------------------------|------------------------|------------------------|
|  | 2018                   | 2017                   | 2018                   | 2017                   |
| <b>7.9 Loan type wise classified loans and Advances</b>                                |                        |                        |                        |                        |
| Overdraft  |                        |                        |                        |                        |
| Demand loan  | 624,449,495            | 598,727,256            | 624,449,495            | 598,727,256            |
| Term loan  | 1,453,230,471          | 549,645,213            | 1,453,230,471          | 549,645,213            |
| Lease finance  | 5,149,915,729          | 5,935,336,191          | 5,149,915,729          | 5,935,336,191          |
| Credit cards   | -                      | -                      | -                      | -                      |
| Margin loan  | 151,144,570            | 137,251,231            | 151,144,570            | 137,251,231            |
|  | 1,221,225,475          | 1,213,964,512          | -                      | -                      |
|  | <b>8,599,965,740</b>   | <b>8,434,924,403</b>   | <b>7,378,740,265</b>   | <b>7,220,959,891</b>   |
| <b>7.10 Sector-wise allocation of loans and advances</b>                               |                        |                        |                        |                        |
| <b>Government</b>  |                        |                        |                        |                        |
| Private:   |                        |                        |                        |                        |
| Agriculture  | 2,789,736,561          | 1,954,130,689          | 2,789,736,561          | 1,954,130,689          |
| Industry   | 89,006,895,835         | 52,439,630,825         | 89,006,895,835         | 52,439,630,825         |
| Service Industry   | 16,209,261,756         | 9,215,899,231          | 16,209,261,756         | 9,215,899,231          |
| Agro-based Industry  | 16,191,056,670         | 7,998,551,158          | 16,191,056,670         | 7,998,551,158          |
| Commerce and Trade   | 71,838,710,733         | 94,985,027,490         | 71,446,414,341         | 94,113,388,835         |
| Consumer Credit  | 42,364,738,105         | 36,837,780,008         | 42,364,738,105         | 36,837,780,008         |
|  | <b>238,400,399,660</b> | <b>203,431,019,401</b> | <b>238,008,103,268</b> | <b>202,559,380,746</b> |
| <b>7.11 Securities against loans/advances including bills purchased and discounted</b> |                        |                        |                        |                        |
| Collateral of moveable/immoveable assets   |                        |                        |                        |                        |
| Local banks and financial institutions guarantee                                       | 44,381,995,349         | 45,399,012,797         | 44,381,995,349         | 45,399,012,797         |
| Government guarantee   | -                      | -                      | -                      | -                      |
| Foreign banks guarantee  | -                      | -                      | -                      | -                      |
| Export documents   | -                      | -                      | -                      | -                      |
| Fixed deposit receipts (FDR)   | -                      | -                      | -                      | -                      |
| FDR of other banks   | 4,254,060,736          | 3,136,337,936          | 4,254,060,736          | 3,136,337,936          |
| Government bonds   | -                      | -                      | -                      | -                      |
| Personal guarantee and other securities  | 189,255,769,442        | 129,216,708,414        | 189,255,769,442        | 129,216,708,414        |
| Other securities   | 508,574,133            | 25,678,960,254         | 116,277,741            | 24,807,321,599         |
|  | <b>238,400,399,660</b> | <b>203,431,019,401</b> | <b>238,008,103,268</b> | <b>202,559,380,746</b> |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

7.12 Particulars of required provisions for loans and advances (Bank only)

| Status  | Outstanding<br>Loans and<br>advances 2018 | Base for provision | Percentage (%) of required<br>provision | Required provision<br>2018 | Required provision<br>2017 |
|---|---|--------------------|---|----------------------------|----------------------------|
| <b>Unclassified</b>   |   |                    |   |                            |                            |
| All unclassified loans (Other than small and medium enterprise financing, consumer financing, BHs/MBs/SDs, housing and loans for professional*) | 108,859,014,560                           | 108,859,014,560    | 1%                                      | 1,088,590,146              | 755,457,269                |
| Small and medium enterprise financing   | 76,821,432,735                            | 76,821,432,735     | 0.25%                                   | 192,053,582                | 190,889,304                |
| Loans to BHs/MBs/SDs against share etc.   | 1,684,897,749                             | 1,684,897,749      | 2%                                      | 33,697,955                 | 25,722,387                 |
| Housing finance   | 15,941,461,748                            | 15,941,461,748     | 1%                                      | 159,414,617                | 334,308,313                |
| Loans for professionals to set up business (LP)   | 2,680,000,417                             | 2,680,000,417      | 2%                                      | 53,600,008                 | 48,235,510                 |
| Consumer finance  | 17,227,624,813                            | 17,227,624,813     | 5%                                      | 861,381,241                | 793,310,470                |
| Consumer finance (Credit Card)  | 4,486,905,153                             | 4,486,905,153      | 2%                                      | 89,738,103                 | 73,948,560                 |
| Staff loan  | 1,016,613,163                             | -                  | 0%                                      | -                          | -                          |
|   | 1,911,412,665                             | 1,911,412,665      | 1%                                      | 19,114,127                 | 25,325,650                 |
|   | 230,629,363,003                           | 229,612,749,840    |   | 2,497,589,779              | 2,247,197,462              |
| <b>Classified - Specific provision</b>  |   |                    |   |                            |                            |
| Doubtful (Short term agricultural credit)   | 35,518                                    | 24,777             | 5%                                      | 1,239                      | 1,415                      |
| Sub-standard  | 872,254,570                               | 649,184,174        | 20%                                     | 129,836,835                | 207,653,198                |
| Doubtful  | 702,603,200                               | 535,354,349        | 50%                                     | 267,677,175                | 499,057,171                |
| Bad/Loss  | 5,803,846,977                             | 3,977,124,969      | 100%                                    | 3,977,124,969              | 3,072,013,547              |
|   | 7,378,740,265                             | 5,161,688,269      |   | 4,374,640,218              | 3,778,725,331              |
|   | 238,008,103,268                           | 234,774,438,109    |   |                            |                            |
| Total required provision for loans and advances   |   |                    |   | 6,872,229,997              | 6,025,922,793              |
| Total provision maintained (Note 17.1)  |   |                    |   | 7,570,512,835              | 7,989,495,186              |
| Excess/(Short) provision  |   |                    |   | 698,282,838                | 1,963,572,393              |

\* BHs = Brokerage Houses, MBs = Merchant Banks, SDs = Stock Dealers Against Shares





Notes to the financial statements as at and for the year ended 31 December 2013 (Continued)

| Particulars   | 2018<br>Taka           | 2017<br>Taka           |
|---|------------------------|------------------------|
| <b>7.13 Particulars of loans and advances</b>   |                        |                        |
| i) Loans considered good in respect of which Bank is fully secured  | 48,636,056,085         | 48,535,350,734         |
| ii) Loans considered good against which Bank holds no security other than the debtor's personal guarantee.  | 189,255,769,442        | 129,216,708,413        |
| iii) Loans considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtor.   | 116,277,741            | 24,807,321,599         |
| iv) Loans adversely classified; provision not maintained there against;   | -                      | -                      |
|   | <b>238,008,103,268</b> | <b>202,559,380,746</b> |
| v) Loans due by directors or officers of the banking company or any of these either separately or jointly with any other persons;   | 12,533,344,919         | 927,863,301            |
| vi)   |                        |                        |
| vii) Maximum total amount of advance including temporary advance made at any time during the year to directors or managers or officers of the banking companies or any of them either separately or jointly with any other person;  | 12,533,344,919         | 927,863,301            |
| viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the banking company have interest as directors, partners or managing agents or in case of private companies, as members; | -                      | -                      |
| ix) Due from banking companies  | -                      | -                      |
| x) Amount of classified loan on which interest has not been charged should be mentioned as follows:   |                        |                        |
| a) Increase/decrease of provision (specific)  | 89,199,132             | 399,383,914            |
| Amount of debts written off   | 2,058,008,198          | 1,118,406,317          |
| Amount realized against loan previously written off.  | 783,059,719            | 1,039,185,296          |
| b) Amount of provision kept against loan classified as "bad/loss" on the date of preparing the balance sheet  | 3,977,124,969          | 3,072,013,547          |
| c) Interest creditable to the Interest Suspense a/c.  | 601,033,603            | 537,463,972            |
|   |                        |                        |
| xi) Cumulative amount of the written off loan   | 17,182,858,852         | 16,064,452,535         |
| Opening balance   | 2,058,008,198          | 1,118,406,317          |
| Amount written off during the year  | 19,240,867,050         | 17,182,858,852         |
|   |                        |                        |
| <b>The amount of written off loans for which law suits have been filed</b>  | <b>18,790,980,613</b>  | <b>17,106,398,655</b>  |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars  | Note | Consolidated           |                        | BRAC Bank Limited      |                        |
|--|------|------------------------|------------------------|------------------------|------------------------|
|  |      | 2018                   | 2017                   | 2018                   | 2017                   |
| <b>7.14 Write off of loans and advances (net basis)</b>                        |      |                        |                        |                        |                        |
| Balance at the beginning of the year   |      | 10,271,413,165         | 10,703,594,646         | 10,271,413,165         | 10,703,594,646         |
| Add: Write off during the year   |      | 2,058,008,198          | 1,118,406,317          | 2,058,008,198          | 1,118,406,317          |
|  |      | <b>12,329,421,363</b>  | <b>11,822,000,963</b>  | <b>12,329,421,363</b>  | <b>11,822,000,963</b>  |
| Less: Recovery of write off loans  |      | 783,059,719            | 1,039,185,296          | 783,059,719            | 1,039,185,296          |
| Less: No claim (Interest Waiver)   |      | 245,241,492            | 511,402,502            | 245,241,492            | 511,402,502            |
| <b>Balance at the end of the year</b>  |      | <b>11,301,120,152</b>  | <b>10,271,413,165</b>  | <b>11,301,120,152</b>  | <b>10,271,413,165</b>  |
| <b>7.15 Bill Purchased and Discounted under the following broad categories</b> |      |                        |                        |                        |                        |
| Inside Bangladesh  |      | 18,094,372,030         | 5,746,293,951          | 18,094,372,030         | 5,746,293,951          |
| Outside Bangladesh   |      | -                      | -                      | -                      | -                      |
|  |      | <b>18,094,372,030</b>  | <b>5,746,293,951</b>   | <b>18,094,372,030</b>  | <b>5,746,293,951</b>   |
| <b>7.16 Maturity wise grouping of loans and advances</b>                       |      |                        |                        |                        |                        |
| Repayable on demand  |      | 26,145,611,032         | 21,754,882,943         | 959,327,841            | 21,754,882,943         |
| Not more than 3 months   |      | 43,479,197,003         | 34,719,822,954         | 68,877,830,701         | 35,711,940,929         |
| More than 3 months but not more than 1 Year                                    |      | 96,371,000,008         | 75,016,712,615         | 95,766,353,109         | 73,152,955,985         |
| More than 1 year but not more than 5 years                                     |      | 63,507,675,527         | 57,499,025,337         | 63,507,675,527         | 57,499,025,337         |
| More than 5 years  |      | 8,896,916,090          | 14,440,575,552         | 8,896,916,090          | 14,440,575,552         |
|  |      | <b>238,400,399,660</b> | <b>203,431,019,401</b> | <b>238,008,103,268</b> | <b>202,559,380,746</b> |
| <b>7.17 Maturity wise grouping of lease receivables</b>                        |      |                        |                        |                        |                        |
| Receivable on demand   |      | 289,468                | 527,278                | 289,468                | -                      |
| Not more than 3 months   |      | 1,694,714              | 11,007,900             | 1,694,714              | 11,007,900             |
| More than 3 months but not more than 1 Year                                    |      | 54,634,185             | 43,859,782             | 54,634,185             | 43,859,782             |
| More than 1 year but not more than 5 years                                     |      | 1,149,857,893          | 697,581,581            | 1,149,857,893          | 697,581,581            |
| More than 5 years  |      | 47,441,000             | -                      | 47,441,000             | -                      |
|  |      | <b>1,253,917,260</b>   | <b>752,976,541</b>     | <b>1,253,917,260</b>   | <b>752,449,263</b>     |
| <b>7.18 Maturity wise grouping of bill purchased and discounted</b>            |      |                        |                        |                        |                        |
| Payable within 1 month   |      | 3,687,450,074          | 1,057,002,492          | 3,687,450,074          | 1,057,002,492          |
| Over 1 month but less than 3 months  |      | 5,748,370,755          | 1,618,688,903          | 5,748,370,755          | 1,618,688,903          |
| Over 3 month but less than 6 months  |      | 4,787,170,949          | 2,277,821,735          | 4,787,170,949          | 2,277,821,735          |
| 6 months or more   |      | 3,871,380,252          | 792,780,821            | 3,871,380,252          | 792,780,821            |
|  |      | <b>18,094,372,030</b>  | <b>5,746,293,951</b>   | <b>18,094,372,030</b>  | <b>5,746,293,951</b>   |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars   | Note | Consolidated   |                | BRAC Bank Limited |               |
|---|------|----------------|----------------|-------------------|---------------|
|   |      | 2018           | 2017           | 2018              | 2017          |
| 8 Fixed assets including premises, furniture and fixtures |      |                |                |                   |               |
| Land - Cost   |      | 527,275,400    | 527,275,400    | 527,275,400       | 527,275,400   |
| Revaluation*  |      | 520,468,350    | 516,373,535    | 520,468,350       | 516,373,535   |
| Total   |      | 1,047,743,750  | 1,043,648,935  | 1,047,743,750     | 1,043,648,935 |
| Leasehold building  |      | 20,855,926     | 20,855,926     | 4,034,334         | 4,034,334     |
| Furniture and fixtures                                    |      | 2,353,095,756  | 2,239,687,472  | 2,206,895,912     | 2,097,265,452 |
| Office equipment  |      | 1,752,828,550  | 1,688,923,672  | 1,600,079,746     | 1,542,362,260 |
| IT hardwares  |      | 3,745,619,232  | 3,023,818,161  | 2,774,382,706     | 2,331,804,025 |
| Motor vehicles  |      | 443,280,557    | 405,899,477    | 321,040,060       | 295,973,574   |
| Leasehold improvements                                    |      | 101,986,954    | 100,962,080    | -                 | -             |
| Capital expenditure work in progress                      |      | 844,368,352    | 1,342,672,559  | 222,254,800       | 970,504,865   |
| License (Indefinite useful live)                          |      | 50,000         | 50,000         | 50,000            | 50,000        |
| IT Software (Finite useful live)                          |      | 2,886,545,528  | 1,575,924,226  | 1,941,732,424     | 1,043,281,543 |
| Total cost  |      | 13,196,374,605 | 11,442,442,508 | 10,118,213,732    | 9,328,924,988 |
| Accumulated depreciation and amortisation                 |      | 6,931,214,402  | 5,832,018,961  | 5,817,562,615     | 5,053,744,128 |
| Written down value at 31 December                         |      | 6,265,160,203  | 5,610,423,547  | 4,300,651,117     | 4,275,180,860 |

(Fixed assets schedules are shown in Annexure - F)

\*In compliance with International Accounting Standard (IAS) 16: *Property, Plant and Equipment* we followed "revaluation model" for "Land" only, for measurement after initial recognition. As per "revaluation model" revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. It may be necessary to revalue the item only every three or five years. In 2018 we have revalued our land by professional firm "M/s. Commodity Inspection Services (BD) Ltd." and necessary accounting has been recognised in financial statements based on the valuation report.





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars                                   | Note | Consolidated         |                      | BRAC Bank Limited     |                      |
|---|------|----------------------|----------------------|-----------------------|----------------------|
|   |      | 2018                 | 2017                 | 2018                  | 2017                 |
| <b>9 Other assets</b>                         |      |                      |                      |                       |                      |
| Income generating                             |      |                      |                      |                       |                      |
| Interest receivables                          | 9.1  | 1,563,099,848        | 1,376,223,256        | 1,563,099,848         | 1,376,223,256        |
| Investment in subsidiary                      | 9.2  |                      |                      | 4,461,575,285         | 4,461,575,285        |
| Investment/carrying value in associates       | 9.3  | 15,735,639           | 13,819,939           | 42,690,000            | 42,690,000           |
| Prepaid interest expenses on IFFD             |      | 37,900,375           | 40,649,837           | 37,900,375            | 40,649,837           |
| Receivables against sanchayapatra             |      | 71,036,794           | 81,940,767           | 71,036,794            | 81,940,767           |
| Balance with BRAC EPL Stock Brokerage Limited |      | 3,085,095            | 8,952,614            | 3,085,095             | 8,952,614            |
| <b>Non-Income generating</b>                  |      |                      |                      |                       |                      |
| Stock of stamps                               |      | 94,006,019           | 26,920,627           | 94,006,019            | 26,920,627           |
| Stock of security stationery                  |      | 50,866,572           | 25,059,870           | 50,866,572            | 25,059,870           |
| Stock of printing stationery                  |      | 15,260,116           | 13,106,948           | 15,260,116            | 13,106,948           |
| Stock of inventory                            |      |                      | 3,132,395            |                       | 3,132,395            |
| Advance to staff                              |      | 5,285,045            | 9,154,509            | 5,285,045             | 9,154,509            |
| Advance to supplier                           |      | 37,485,971           | 43,179,123           | 21,962,231            | 33,472,974           |
| Advance Value Added Tax                       |      | 9,132,298            | 4,370,000            | 9,132,298             | 4,370,000            |
| Advance to SME unit offices                   |      | 1,310,690            | 1,310,690            | 1,310,690             | 1,310,690            |
| Advance against office rent                   |      | 650,663,044          | 713,842,606          | 638,435,196           | 697,573,334          |
| Advance security deposit                      |      | 13,304,874           | 13,904,316           | 12,001,393            | 12,600,835           |
| Deferred revenue expenditure                  |      | 194,602,774          | 107,072,473          | 194,602,774           | 107,072,473          |
| Deferred tax asset                            | 9.4  | 1,840,837,214        | 1,885,198,697        | 1,558,681,068         | 1,602,551,146        |
| Receivable from Off-Shore                     |      | 1,174,524,977        | 1,182,891,590        | 1,174,524,977         | 1,182,891,590        |
| Receivable settlement account-OBUDBU          |      |                      | 1,285,509,100        |                       | 1,285,509,100        |
| Receivable in proxy account                   |      | 2,962,169            | 3,757,480            | 2,962,169             | 3,757,480            |
| Net plan assets -Employees' Gratuity Fund     | 9.5  | 18,808,040           |                      | 108,991,788           |                      |
| Other receivables                             | 9.6  | 1,130,350,679        | 1,090,032,867        | 1,130,350,679         | 1,090,032,867        |
| Less: On-shore to Off-shore                   |      | (1,174,524,944)      | (2,468,400,686)      | (1,174,524,944)       | (2,468,400,686)      |
| Other assets of subsidiaries                  | 9.7  | 3,909,700,855        | 3,852,731,163        |                       |                      |
|   |      | <b>9,665,434,144</b> | <b>9,314,360,181</b> | <b>10,023,235,468</b> | <b>9,642,147,911</b> |
| <b>9.1 Interest receivables</b>               |      |                      |                      |                       |                      |
| Receivable against Govt. securities           |      | 301,162,760          | 386,838,906          | 301,162,760           | 386,838,906          |
| Receivable against other securities           |      | 101,620,690          | 67,254,183           | 101,620,690           | 67,254,183           |
| Receivable against balance with other bank    |      | 82,238,130           | 83,254,177           | 82,238,130            | 83,254,177           |
| Receivable against loans and advances         |      | 1,078,078,268        | 838,875,990          | 1,078,078,268         | 838,875,990          |
|   |      | <b>1,563,099,848</b> | <b>1,376,223,256</b> | <b>1,563,099,848</b>  | <b>1,376,223,256</b> |
| <b>9.2 Investment in subsidiaries</b>         |      |                      |                      |                       |                      |
| BRAC EPL Investments Limited                  |      |                      |                      | 2,889,117,454         | 2,889,117,454        |
| BRAC EPL Stock Brokerage Limited              |      |                      |                      | 1,344,147,500         | 1,344,147,500        |
| bKash Limited                                 |      |                      |                      | 168,921,800           | 168,921,800          |
| BRAC SAAJAN Exchange Limited                  |      |                      |                      | 59,388,531            | 59,388,531           |
|   |      |                      |                      | <b>4,461,575,285</b>  | <b>4,461,575,285</b> |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars                                 | Note | Consolidated      |                   | BRAC Bank Limited |                   |
|---|------|-------------------|-------------------|-------------------|-------------------|
|   |      | 2018              | 2017              | 2018              | 2017              |
| 9.3 Investment/carrying value in associates |      |                   |                   |                   |                   |
| BRAC IT Services Limited                    |      | 3,564,399         | 1,798,063         | 30,190,000        | 30,190,000        |
| BRAC Asset Management Company Limited       |      | 12,171,240        | 12,021,876        | 12,500,000        | 12,500,000        |
|   |      | <u>15,735,639</u> | <u>13,819,939</u> | <u>42,690,000</u> | <u>42,690,000</u> |

9.3.1 Carrying value of investment in associates:

BRAC IT Services Limited  
Opening balance/fair value of residual interest retained  
Share of profit/(loss) of equity in associate company

|                  |                  |
|------------------|------------------|
| 1,798,063        | (12,377,528)     |
| 1,766,336        | 14,175,591       |
| <u>3,564,399</u> | <u>1,798,063</u> |

BRAC Asset Management Company Limited  
Opening balance  
Share of profit/(loss) of equity in associate company

|                   |                   |
|-------------------|-------------------|
| 12,021,876        | 11,864,627        |
| 149,364           | 157,249           |
| <u>12,171,240</u> | <u>12,021,876</u> |

9.4 Deferred tax asset/(liability) (Bank only)

| Particulars | Accounting base | Tax base | Deductible/<br>(Taxable)<br>Temporary<br>Difference | Applicable tax rate | Deferred Tax<br>Asset/ (Liability) |
|-------------|-----------------|----------|---|---------------------|------------------------------------|
|-------------|-----------------|----------|---|---------------------|------------------------------------|

Balance as at 31 December, 2017

|  |  |  |  |  |                      |
|--|--|--|--|--|----------------------|
| Deferred tax asset                                   |  |  |  |  | 1,602,551,146        |
| Deferred tax liability                               |  |  |  |  | (154,735,562)        |
| <b>Net deferred tax asset as at 31 December 2017</b> |  |  |  |  | <u>1,447,815,584</u> |

Balance as at 31 December 2018

|                                   |               |               |               |       |                      |
|-----------------------------------|---------------|---------------|---------------|-------|----------------------|
| Loan loss provision (Note - 17.1) | 5,066,669,025 | -             | 3,597,868,341 | 37.5% | 1,349,200,628        |
| Provision against capital market  | 116,400,000   | -             | 116,400,000   | 10%   | 11,640,000           |
| Fixed assets                      | 3,030,652,567 | 3,558,227,072 | 527,574,505   | 37.5% | 197,840,440          |
| <b>Deferred tax asset (a)</b>     |               |               |               |       | <u>1,558,681,068</u> |

Deferred tax liability arises due to land revaluation surplus\* (b)

|  |               |   |                 |       |                      |
|--|---------------|---|-----------------|-------|----------------------|
| Deferred tax liability arises due to actuarial valuation gain* (c) | 1,047,743,750 | - | (1,047,743,750) | 4%    | (41,909,750)         |
| Interest receivable from treasury bills and bonds                  | 24,302,743    | - | (24,302,743)    | 37.5% | (9,113,529)          |
| <b>Deferred tax liability (d)</b>                                  | 301,162,760   | - | (301,162,760)   | 37.5% | <u>(112,936,035)</u> |

Net deferred tax asset at 31 December 2018 (a+d)

|  |  |  |  |  |                      |
|--|--|--|--|--|----------------------|
| <b>Net deferred tax asset at 31 December 2018 (a+d)</b>  |  |  |  |  | <u>1,394,721,754</u> |
| Decrease of deferred tax asset recognized in profit and loss account as expense                            |  |  |  |  | 43,870,078           |
| Decrease of deferred tax liability recognized in profit and loss account as Income                         |  |  |  |  | (41,799,527)         |
| <b>Net Deferred tax expense recognized in profit and loss account during the year end 31 December 2018</b> |  |  |  |  | <u>2,070,551</u>     |
| <b>Net Deferred tax liability recognized in equity during the year end 31 December 2018 (b+c)</b>          |  |  |  |  | <u>(51,023,279)</u>  |

\*As per guidelines of accounting standard "IAS 12 Income Taxes" deferred tax should be recognized on non-depreciable assets (like Land) which are measured using "Revaluation Model" as per IAS 16 considering that the carrying amount of the non-depreciable asset i.e. land will be recovered through sale. As per this process we recognize deferred tax on revaluation of land. Deferred tax liability arises on land revaluation surplus and actuarial valuation are recognised in changes in equity as other comprehensive income items.





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars  | Note  | Consolidated       |      | BRAC Bank Limited  |      |
|--|-------|--------------------|------|--------------------|------|
|  |       | 2018               | 2017 | 2018               | 2017 |
| <b>9.5 Employees' gratuity fund</b>  |       |                    |      |                    |      |
| Fair value of plan assets  | 9.5.1 | 879,337,781        | -    | 879,337,781        | -    |
| Defined benefit obligation   | 9.5.2 | 860,529,741        | -    | 770,345,993        | -    |
|  |       | <u>18,808,040</u>  |      | <u>108,991,788</u> |      |
| <p>The Bank has a funded gratuity scheme recognized by National Board of Revenue (NBR). Contributions to the fund by the Bank were recognized in profit and loss of the Bank but the value of plan assets and present value of defined benefit obligation were not in the financial statement of the Bank till 2017. The fair value of plan assets and present value of defined benefit obligation was first recognized in the financial statements of the Bank starting from 2018 as per IAS 19 "Employee Benefits". The amounts were recognised as per actuarial valuation report carried out by professional actuary for the year ended 2018. The net effect of such recognition in the opening balance has been taken directly in profit and loss under salary and allowances (note - 30).</p> |       |                    |      |                    |      |
| <b>9.5.1 Fair value of plan assets - gratuity fund</b>   |       |                    |      |                    |      |
| Fair value of plan assets as on 1 January  |       | 768,412,841        | -    | 768,412,841        | -    |
| Interest income on plan assets   |       | 69,157,156         | -    | 69,157,156         | -    |
| Actual employer contributions  |       | 123,535,548        | -    | 123,535,548        | -    |
| Actual net benefits payments   |       | (88,596,040)       | -    | (88,596,040)       | -    |
| Remeasurement gain/(losses) on plan assets   |       | 6,828,276          | -    | 6,828,276          | -    |
| Fair value of plan assets as on 31 December  |       | <u>879,337,781</u> |      | <u>879,337,781</u> |      |
| <b>9.5.2 Defined benefit obligation - gratuity fund</b>  |       |                    |      |                    |      |
| Defined benefit obligation as on 1 January   |       | 724,988,427        | -    | 680,472,757        | -    |
| Current service cost   |       | 194,975,928        | -    | 134,701,195        | -    |
| Interest cost  |       | 61,242,548         | -    | 61,242,548         | -    |
| Actual net benefits payments   |       | (133,452,695)      | -    | (88,596,040)       | -    |
| Remeasurement (gain)/loss  |       | 12,775,533         | -    | (17,474,487)       | -    |
| Defined benefit obligation as on 31 December   |       | <u>860,529,741</u> |      | <u>770,345,993</u> |      |
| <b>9.5.3 Remeasurements gain/(loss) of defined benefits liability/assets</b>   |       |                    |      |                    |      |
| Opening balance  |       | 6,828,276          | -    | 6,828,276          | -    |
| Remeasurement gain/(losses) on plan assets   |       | (12,775,533)       | -    | 17,474,487         | -    |
| Remeasurement gain/(losses) on defined benefit obligation  |       | (5,947,257)        | -    | 24,302,743         | -    |
| Less: Deferred tax (expense)/income  |       | 1,473,971          | -    | (9,113,529)        | -    |
|  |       | <u>(4,473,286)</u> |      | <u>15,189,214</u>  |      |

Remeasurement gain/(loss) has been recognised as per Actuarial Valuation Report.





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars   | Note            | Consolidated         |                      | BRAC Bank Limited    |                      |
|---|-----------------|----------------------|----------------------|----------------------|----------------------|
|   |                 | 2018                 | 2017                 | 2018                 | 2017                 |
| <b>9.6 Other Receivables</b>                        |                 |                      |                      |                      |                      |
| Receivable against remittance                       |                 | 21,397,519           | 18,774,911           | 21,397,519           | 18,774,911           |
| Receivable against bills pay                        |                 | (40)                 | 100                  | (40)                 | 100                  |
| Receivable against DD                               |                 | 21,000,000           | 41,000,000           | 21,000,000           | 41,000,000           |
| Receivable against Cheques                          |                 | -                    | 19,725               | -                    | 19,725               |
| Receivable against Cards                            |                 | 190,574,709          | 13,486,899           | 190,574,709          | 13,486,899           |
| Receivable from Merchant                            |                 | 113,486,375          | 144,762,125          | 113,486,375          | 144,762,125          |
| Receivable from Partners                            |                 | 232,568,212          | 234,198,514          | 232,568,212          | 234,198,514          |
| Receivable from Co-Brand ATM                        |                 | 27,020,242           | 40,535,943           | 27,020,242           | 40,535,943           |
| Receivable against fraud and forgery/Protested bill |                 | 117,010,489          | 116,490,109          | 117,010,489          | 116,490,109          |
| Receivable from NPS                                 |                 | 57,070,500           | 118,243,000          | 57,070,500           | 118,243,000          |
| Sundry debtors                                      |                 | 306,135,115          | 268,004,728          | 306,135,115          | 268,004,728          |
| Receivable from BACH                                |                 | 5,025,941            | 5,000,005            | 5,025,941            | 5,000,005            |
| VAT current account                                 |                 | 10,337,327           | 878,348              | 10,337,327           | 878,348              |
| REPO interest expenditure                           |                 | -                    | (851,174)            | -                    | (851,174)            |
| Coupon interest adjustment                          |                 | 28,724,290           | -                    | 28,724,290           | -                    |
| Unrealized Gain/Loss FX Contra                      |                 | -                    | 89,489,634           | -                    | 89,489,634           |
|   |                 | <b>1,130,350,679</b> | <b>1,090,032,867</b> | <b>1,130,350,679</b> | <b>1,090,032,867</b> |
| <b>9.7 Other assets of subsidiaries</b>             |                 |                      |                      |                      |                      |
| BRAC EPL Investments Limited                        |                 | 392,079,640          | 357,656,765          |                      |                      |
| BRAC EPL Stock Brokerage Limited                    |                 | 177,569,066          | 1,662,128,211        |                      |                      |
| bKash Limited                                       |                 | 3,053,222,871        | 1,822,433,146        |                      |                      |
| BRAC SAAJAN Exchange Limited                        |                 | 582,544,466          | 224,371,137          |                      |                      |
|   |                 | <b>4,205,416,043</b> | <b>4,066,589,259</b> |                      |                      |
| Less: Inter company transactions:                   |                 |                      |                      |                      |                      |
| BRAC Bank Limited                                   |                 | 295,003,975          | 197,805,465          |                      |                      |
| BRAC EPL Investments Limited                        |                 | 21,022               | 34,500               |                      |                      |
| BRAC EPL Stock Brokerage Limited                    |                 | 454,814              | 15,404,922           |                      |                      |
| bKash Limited                                       |                 | 235,377              | 613,209              |                      |                      |
|   |                 | <b>295,715,188</b>   | <b>213,858,096</b>   |                      |                      |
|   |                 | <b>3,909,700,855</b> | <b>3,852,731,163</b> |                      |                      |
| <b>10 Non-banking assets</b>                        |                 |                      |                      |                      |                      |
| Haque Specialized Still Mills Ltd.                  | Possession date | 62,230,075           | 62,230,075           | 62,230,075           | 62,230,075           |
| M/s Macca And Modina Store                          | 30.06.2015      | 1,200,000            | 1,200,000            | 1,200,000            | 1,200,000            |
| M/S. Akash Auto Mobile                              | 16.01.2017      | 3,041,700            | -                    | 3,041,700            | -                    |
|   | 11.06.2018      | <b>66,471,775</b>    | <b>63,430,075</b>    | <b>66,471,775</b>    | <b>63,430,075</b>    |

The Bank has been awarded ownership of the mortgaged property Haque Specialized Still Mills Ltd. at Fatullah Narayanganj according to the verdict of the Honorable Court, order no. 85 dated 23/04/2015 (Artho Rin Adalat, Dhaka) in 2015, mortgaged property M/s Macca And Modina Store at Nilphamari, verdict of the honourable Artharin Court of Nilphamari under Section 33(7) of Artharin Adalat ain-2003 and mortgaged property M/S. Akash Auto Mobile at Sherpur, verdict of the honourable Artharin Court of Sherpur under Section 33(7) of Artharin Adalat ain-2003 and reported as Non Banking Assets in accordance with Bank Companies Act 1991 and BRPD circular 14 of 2003. The value of the Non-Banking Assets has been determined on the basis of valuation report of an Independent valuer.





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars                                     | Note | Consolidated         |                      | BRAC Bank Limited |      |
|---|------|----------------------|----------------------|-------------------|------|
|   |      | 2018                 | 2017                 | 2018              | 2017 |
| <b>11 Goodwill</b>                              |      |                      |                      |                   |      |
| (i) BRAC EPL Investments Limited                |      | 246,289,821          | 246,289,821          |                   |      |
| Less: Impairment of goodwill - EPL              |      | -                    | (150,233,905)        |                   |      |
| Sub total                                       |      | 246,289,821          | 96,055,916           |                   |      |
| (ii) bKash Limited                              |      | 73,393,751           | 73,393,751           |                   |      |
| Less: Reversal of wrongly recognised Goodwill * |      | (73,393,751)         | -                    |                   |      |
| Sub total                                       |      | -                    | 73,393,751           |                   |      |
| (iii) BRAC EPL Stock Brokerage Limited          |      | 1,126,273,572        | 1,126,273,572        |                   |      |
| (iv) BRAC SAAJAN Exchange Limited               |      | 54,905,518           | 54,905,518           |                   |      |
| <b>Total</b>                                    |      | <b>1,427,468,911</b> | <b>1,350,628,757</b> |                   |      |

\*Goodwill recognised for bKash Limited was incorrect as BRAC Bank invested in bKash through subscription in the issued share capital and never purchased from any third party. Due to this reason the goodwill recognized in prior year relating to bKash was incorrect/wrong. The management of the Bank believes that the impact of this error is immaterial and hence charged prospectively in the profit and loss of current year.

|  |      |                       |                       |                       |                       |
|--|------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>12 Borrowings from other banks, financial institutions and agents</b> |      |                       |                       |                       |                       |
| Borrowings inside Bangladesh   | 12.1 | -                     | 2,412,800,000         | -                     | 2,412,800,000         |
| Borrowings outside Bangladesh  | 12.2 | 22,958,478,616        | 20,798,133,175        | 22,958,478,616        | 20,798,133,175        |
|  |      | <b>22,958,478,616</b> | <b>23,210,933,175</b> | <b>22,958,478,616</b> | <b>23,210,933,175</b> |
| <b>12.1 Borrowings inside Bangladesh</b>                                 |      |                       |                       |                       |                       |
| Southeast Bank Ltd.  |      | -                     | 332,800,000           | -                     | 332,800,000           |
| Dhaka Bank Limited   |      | -                     | 416,000,000           | -                     | 416,000,000           |
| Agrani Bank Limited  |      | -                     | 1,664,000,000         | -                     | 1,664,000,000         |
| On shore to BBL off shore  |      | 5,091,205,150         | 1,597,440,000         | 5,091,205,150         | 1,597,440,000         |
| Borrowings of subsidiaries   |      | 1,776,180,954         | 992,117,975           | -                     | -                     |
|  |      | <b>6,867,386,104</b>  | <b>5,002,357,975</b>  | <b>5,091,205,150</b>  | <b>4,010,240,000</b>  |
| Less: On-shore to BBL off-shore placement/inter Company elimination      |      | <b>6,867,386,104</b>  | <b>2,589,557,975</b>  | <b>5,091,205,150</b>  | <b>1,597,440,000</b>  |
|  |      | -                     | <b>2,412,800,000</b>  | -                     | <b>2,412,800,000</b>  |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars                                   | Note | Consolidated          |                       | BRAC Bank Limited     |                       |
|---|------|-----------------------|-----------------------|-----------------------|-----------------------|
|   |      | 2018                  | 2017                  | 2018                  | 2017                  |
| <b>12.2 Borrowing from outside Bangladesh</b> |      |                       |                       |                       |                       |
| Sonali Bank UK Ltd                            |      | 1,222,083,236         | 1,285,509,100         | 1,222,083,236         | 1,285,509,100         |
| BANK ONE Mauritius                            |      | 1,091,350,000         | 1,091,350,000         | 1,091,350,000         | 1,081,600,000         |
| Emirates Islamic Bank Dubai                   |      | 486,363,486           | 832,000,000           | 486,363,486           | 832,000,000           |
| HDFC Bank Limited                             |      | 780,735,000           | 416,000,000           | 780,735,000           | 416,000,000           |
| ICICI Bank Limited                            |      | 839,500,000           | 832,000,000           | 839,500,000           | 832,000,000           |
| Standard Chartered Bank, Singapore            |      | 671,600,000           | 3,078,400,000         | 671,600,000           | 3,078,400,000         |
| Standard Chartered Bank, New York             |      | 839,500,000           | -                     | 839,500,000           | -                     |
| UBL Dubai                                     |      | -                     | 981,760,000           | -                     | 981,760,000           |
| Asian Development Bank                        |      | 2,699,592,143         | 2,481,107,200         | 2,699,592,143         | 2,481,107,200         |
| KBC Bank NV Belgium                           |      | 1,329,776,251         | 832,476,876           | 1,329,776,251         | 832,476,876           |
| First Gulf Bank                               |      | -                     | 1,248,000,000         | -                     | 1,248,000,000         |
| The National Bank of Ras Al-Khaimah           |      | 1,888,875,000         | 2,113,280,000         | 1,888,875,000         | 2,113,280,000         |
| Abu Dhabi Commercial Bank                     |      | 2,084,478,500         | -                     | 2,084,478,500         | -                     |
| First Abu Dhabi Bank PJSC                     |      | 1,469,125,000         | -                     | 1,469,125,000         | -                     |
| Borrowing from NORFUND                        |      | -                     | 208,000,000           | -                     | 208,000,000           |
| Borrowing from IFC                            |      | 7,555,500,000         | 4,160,000,000         | 7,555,500,000         | 4,160,000,000         |
| Borrowing from FMO                            |      | -                     | 1,247,999,999         | -                     | 1,247,999,999         |
|   |      | <u>22,958,478,616</u> | <u>20,798,133,175</u> | <u>22,958,478,616</u> | <u>20,798,133,175</u> |
|   |      | <u>22,958,478,616</u> | <u>23,210,933,175</u> | <u>22,958,478,616</u> | <u>23,210,933,175</u> |

**12.3 Security against borrowings from other banks, financial institutions and agents:**

|                          |                       |                       |                       |
|--------------------------|-----------------------|-----------------------|-----------------------|
| Secured (Treasury bills) | -                     | -                     | -                     |
| Unsecured                | 22,958,478,616        | 23,210,933,175        | 23,210,933,175        |
|                          | <u>22,958,478,616</u> | <u>23,210,933,175</u> | <u>23,210,933,175</u> |

**12.4 Disclosure regarding REPO**

Disclosure regarding REPO transactions of the Bank are given as per Bangladesh Bank DOS Circular No. 6 dated July 15, 2010.

**(a) (i) Disclosure regarding outstanding Repo as on 31 December 2018:**

| Sl. no | Counter party name      | Agreement date | Reversal date | Amount (1st leg cash consideration) | Amount (1st leg cash consideration) |
|--------|-------------------------|----------------|---------------|-------------------------------------|-------------------------------------|
| i      | Standard Chartered Bank | N/A            | N/A           | NIL                                 | 206,503,052                         |
| ii     | Janata Bank Ltd         | N/A            | N/A           | NIL                                 | 1,398,516,000                       |
|        |                         |                |               |                                     | <u>1,605,019,052</u>                |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars | Note | Consolidated | 2018 | 2017 | BRAC Bank Limited | 2018 | 2017 |
|-------------|------|--------------|------|------|-------------------|------|------|
|-------------|------|--------------|------|------|-------------------|------|------|

(a) (ii) Disclosure regarding outstanding Reverse Repo as on 31 December 2018:

| Sl. no | Counter party name | Agreement Date | Reversal Date | Amount ('1st leg cash consideration) | Amount ('1st leg cash consideration) |
|--------|--------------------|----------------|---------------|--------------------------------------|--------------------------------------|
| i      | AB Bank Limited    | 26-12-2018     | 02-01-2019    | 1,195,301,192                        | NIL                                  |
|        |                    |                |               | 1,195,301,192                        | NIL                                  |

(b) Disclosure regarding overall transaction of Repo and Reverse repo during the year 31 December 2018:

| Particulars | Minimum outstanding during the year | Maximum outstanding during the year | Daily average outstanding during the year | Daily average outstanding during the year |
|-------------|-------------------------------------|-------------------------------------|---|---|
|-------------|-------------------------------------|-------------------------------------|---|---|

Securities sold under repo:

|                            |            |               |             |             |
|----------------------------|------------|---------------|-------------|-------------|
| i) with Bangladesh Bank    | -          | -             | -           | -           |
| ii) with other banks & FIs | 99,841,000 | 2,932,683,250 | 197,167,943 | 791,977,750 |

Securities purchased under reverse repo:

|                            |             |               |             |            |
|----------------------------|-------------|---------------|-------------|------------|
| i) with Bangladesh Bank    | -           | -             | -           | -          |
| ii) with other banks & FIs | 167,095,059 | 6,116,357,310 | 522,506,449 | 64,799,691 |

12.5

Maturity wise grouping of borrowing from other Bank and Financial Institutions

|   |                |                |                |
|---|----------------|----------------|----------------|
| Repayable on demand                         | 5,338,736,186  | 5,338,736,186  | 5,338,736,186  |
| Not more than 3 months                      | 7,829,709,843  | 7,829,709,843  | 7,829,709,843  |
| More than 3 months but not more than 1 Year | 10,211,697,345 | 10,211,697,345 | 10,211,697,345 |
| More than 1 year but not more than 5 years  | 4,917,071,428  | 4,917,071,428  | 4,917,071,428  |
| More than 5 years                           | -              | -              | -              |
|   | 22,958,478,616 | 23,210,933,175 | 23,210,933,175 |

13

Borrowings from Bangladesh Bank

|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| Bangladesh Bank Refinance              | 1,897,566,050 | 938,487,908   | 1,897,566,050 | 938,487,908   |
| Bangladesh Bank EDF fund               | 5,409,625,128 | 4,214,064,523 | 5,409,625,128 | 4,214,064,523 |
| Bangladesh Bank REPO                   | -             | -             | -             | -             |
| Bangladesh Bank SME Foundation         | 24,837,500    | 27,767,500    | 24,837,500    | 27,767,500    |
| Borrowing from Bangladesh Bank - L.TFF | 1,012,767,847 | 415,265,835   | 1,012,767,847 | 415,265,835   |
|  | 8,344,796,525 | 5,595,585,766 | 8,344,796,525 | 5,595,585,766 |

13.1

Maturity wise grouping of Borrowing from Bangladesh Bank

|   |               |               |               |               |
|---|---------------|---------------|---------------|---------------|
| Repayable on demand                         | 204,129,675   | 928,073,307   | 204,129,675   | 928,073,307   |
| not more than 3 months                      | 3,637,846,711 | 2,718,641,427 | 3,637,846,711 | 2,718,641,427 |
| More than 3 months but not more than 1 year | 2,004,917,918 | 1,533,605,197 | 2,004,917,918 | 1,533,605,197 |
| More than 1 year but not more than 5 years  | 2,008,473,721 | 415,265,835   | 2,008,473,721 | 415,265,835   |
| More than 5 years                           | 489,428,500   | -             | 489,428,500   | -             |
|   | 8,344,796,525 | 5,595,585,766 | 8,344,796,525 | 5,595,585,766 |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars   | Note               | Consolidated |                      | BRAC Bank Limited |                      |
|---|--------------------|--------------|----------------------|-------------------|----------------------|
|   |                    | 2018         | 2017                 | 2018              | 2017                 |
| <b>14</b>   |                    |              |                      |                   |                      |
| <b>Convertible subordinated bonds</b>   |                    |              |                      |                   |                      |
| Private placement   | 14.1               | -            | 2,528,987,000        | -                 | 2,528,987,000        |
| Public subscription   | 14.2               | -            | 321,161,000          | -                 | 321,161,000          |
|   |                    | -            | <b>2,850,148,000</b> | -                 | <b>2,850,148,000</b> |
| Pursuant to the terms and conditions of subordinated 25% convertible bonds of BRAC Bank Limited, it was redeemed and delisted from the Stock Exchanges in January 2018. |                    |              |                      |                   |                      |
| <b>14.1</b>   |                    |              |                      |                   |                      |
| <b>Private placement details</b>  | <b>No. of Unit</b> |              |                      |                   |                      |
| Nederlandse Financierings - Maatschappij Voor Ontwikkelingslanden N.V   | 525,000            | -            | 525,000,000          | -                 | 525,000,000          |
| Triodos Fair Share Fund   | 175,000            | -            | 175,000,000          | -                 | 175,000,000          |
| Triodos Microfinance Fund   | 175,000            | -            | 175,000,000          | -                 | 175,000,000          |
| Norwegian Investment Fund for Developing Countries  | 418,950            | -            | 418,950,000          | -                 | 418,950,000          |
| Agrani Bank Limited   | 750,000            | -            | 750,000,000          | -                 | 750,000,000          |
| BRAC Employee Provident Fund  | 412,537            | -            | 412,537,000          | -                 | 412,537,000          |
| Delta Life Insurance Company Limited  | 20,000             | -            | 20,000,000           | -                 | 20,000,000           |
| RACE Asset Management *   | 52,500             | -            | 52,500,000           | -                 | 52,500,000           |
|   |                    | -            | <b>2,528,987,000</b> | -                 | <b>2,528,987,000</b> |
| * PHP 1st Mutual Fund, Popular Life 1st Mutual Fund   |                    |              |                      |                   |                      |
| <b>14.2</b>   |                    |              |                      |                   |                      |
| <b>Public subscription details</b>  | <b>No. of Unit</b> |              |                      |                   |                      |
| Other than non-resident Bangladeshi   | 263,547            | -            | 263,547,000          | -                 | 263,547,000          |
| Non-resident Bangladeshi  | 807                | -            | 807,000              | -                 | 807,000              |
| Mutual funds  | 56,807             | -            | 56,807,000           | -                 | 56,807,000           |
|   |                    | -            | <b>321,161,000</b>   | -                 | <b>321,161,000</b>   |
| Total subscription received   |                    | -            | <b>2,850,148,000</b> | -                 | <b>2,850,148,000</b> |
| Less: Refundable against excess subscription  |                    | -            | -                    | -                 | -                    |
|   |                    | -            | <b>2,850,148,000</b> | -                 | <b>2,850,148,000</b> |
| <b>14.3</b>   |                    |              |                      |                   |                      |
| <b>Maturity wise grouping of convertible subordinated bonds</b>   |                    |              |                      |                   |                      |
| Up to 1 month   |                    | -            | 2,850,148,000        | -                 | 2,850,148,000        |
| More than 1 month but not more than 3 months  |                    | -            | -                    | -                 | -                    |
| More than 3 months but not more than 1 year   |                    | -            | -                    | -                 | -                    |
| More than 1 year but not more than 5 years  |                    | -            | -                    | -                 | -                    |
| More than 5 years   |                    | -            | -                    | -                 | -                    |
|   |                    | -            | <b>2,850,148,000</b> | -                 | <b>2,850,148,000</b> |
| <b>15</b>   |                    |              |                      |                   |                      |
| <b>Money at call on short notice</b>  |                    |              |                      |                   |                      |
| IFIC Bank Limited   |                    | -            | 100,000,000          | -                 | 100,000,000          |
| Commercial Bank of Ceylon Plc Dhaka   |                    | -            | 400,000,000          | -                 | 400,000,000          |
| National Bank Limited   |                    | -            | 1,200,000,000        | -                 | 1,200,000,000        |
| Sonali Bank Limited   |                    | -            | 1,000,000,000        | -                 | 1,000,000,000        |
|   |                    | -            | <b>2,700,000,000</b> | -                 | <b>2,700,000,000</b> |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars   | Note | Consolidated           |                        | BRAC Bank Limited      |                        |
|---|------|------------------------|------------------------|------------------------|------------------------|
|   |      | 2018                   | 2017                   | 2018                   | 2017                   |
| <b>15.1 Maturity wise grouping of money at call on short notice</b> |      |                        |                        |                        |                        |
| Up to 1 month   |      | -                      | 2,700,000,000          | -                      | 2,700,000,000          |
| More than 1 month but not more than 3 months                        |      | -                      | -                      | -                      | -                      |
| More than 3 months but not more than 1 Year                         |      | -                      | -                      | -                      | -                      |
| More than 1 year but not more than 5 years                          |      | -                      | -                      | -                      | -                      |
|   |      | -                      | -                      | -                      | -                      |
|   |      | -                      | 2,700,000,000          | -                      | 2,700,000,000          |
| <b>16 Deposits and other accounts</b>                               |      |                        |                        |                        |                        |
| Current deposits and other accounts etc.                            |      |                        |                        |                        |                        |
| Bills payable   | 16.1 | 80,225,826,007         | 83,474,319,154         | 53,562,341,970         | 62,304,458,807         |
| Savings deposits  | 16.2 | 1,528,433,733          | 1,013,749,416          | 1,528,433,733          | 1,013,749,416          |
| Fixed deposits  | 16.3 | 38,320,761,103         | 35,100,923,580         | 38,320,761,103         | 35,100,923,580         |
| Other deposits  | 16.4 | 133,388,177,229        | 95,556,881,123         | 133,600,242,355        | 96,018,419,796         |
|   | 16.5 | 1,610,630,541          | 1,784,046,490          | 1,610,630,541          | 1,786,887,658          |
|   |      | <u>255,073,828,613</u> | <u>216,929,919,763</u> | <u>228,622,409,702</u> | <u>196,224,439,257</u> |
| <b>16.1 Current deposits and other accounts</b>                     |      |                        |                        |                        |                        |
| Local currency  |      | 79,902,155,826         | 82,741,721,386         | 52,413,590,112         | 61,077,784,187         |
| Foreign currencies  |      | 1,148,751,858          | 1,226,674,620          | 1,148,751,858          | 1,226,674,620          |
| Less: Inter unit/company elimination                                |      | 81,050,907,684         | 83,968,396,006         | 53,562,341,970         | 62,304,458,807         |
|   |      | <u>825,081,677</u>     | <u>494,076,852</u>     | -                      | -                      |
|   |      | <u>80,225,826,007</u>  | <u>83,474,319,154</u>  | <u>53,562,341,970</u>  | <u>62,304,458,807</u>  |
| <b>16.1.1 Current deposits and other accounts</b>                   |      |                        |                        |                        |                        |
| Current deposits  |      | 73,546,248,944         | 72,380,687,481         | 46,057,683,230         | 50,716,750,282         |
| Short term deposit  |      | 7,504,658,740          | 11,587,708,525         | 7,504,658,740          | 11,587,708,525         |
| Less: Inter unit/company elimination                                |      | 825,081,677            | 494,076,852            | -                      | -                      |
|   |      | <u>80,225,826,007</u>  | <u>83,474,319,154</u>  | <u>53,562,341,970</u>  | <u>62,304,458,807</u>  |
| <b>16.2 Bills payable</b>   |      |                        |                        |                        |                        |
| Local currency  |      | 1,516,806,722          | 995,476,293            | 1,516,806,722          | 995,476,293            |
| Foreign currencies  |      | 11,627,011             | 18,273,123             | 11,627,011             | 18,273,123             |
|   |      | <u>1,528,433,733</u>   | <u>1,013,749,416</u>   | <u>1,528,433,733</u>   | <u>1,013,749,416</u>   |
| <b>16.3 Savings deposits</b>  |      |                        |                        |                        |                        |
| Local currency  |      | 38,320,761,103         | 35,100,923,580         | 38,320,761,103         | 35,100,923,580         |
| Foreign currencies  |      | -                      | -                      | -                      | -                      |
|   |      | <u>38,320,761,103</u>  | <u>35,100,923,580</u>  | <u>38,320,761,103</u>  | <u>35,100,923,580</u>  |
| <b>16.4 Fixed deposits</b>  |      |                        |                        |                        |                        |
| Local currency  |      | 132,126,299,370        | 94,645,236,796         | 132,126,299,370        | 94,645,236,796         |
| Foreign currencies  |      | 1,473,942,985          | 1,373,183,000          | 1,473,942,985          | 1,373,183,000          |
| Less: Inter unit/company elimination                                |      | 133,600,242,355        | 96,018,419,796         | 133,600,242,355        | 96,018,419,796         |
|   |      | 212,065,126            | 461,538,673            | -                      | -                      |
|   |      | <u>133,388,177,229</u> | <u>95,556,881,123</u>  | <u>133,600,242,355</u> | <u>96,018,419,796</u>  |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars   | Note     | Consolidated           |                        | BRAC Bank Limited      |                        |
|---|----------|------------------------|------------------------|------------------------|------------------------|
|   |          | 2018                   | 2017                   | 2018                   | 2017                   |
| <b>16.5</b>   |          |                        |                        |                        |                        |
| <b>Other deposits</b>                                       |          |                        |                        |                        |                        |
| Local currency  | 16.5.1   | 732,090,546            | 640,754,309            | 732,090,546            | 640,754,309            |
| Foreign currencies  |          | 878,539,995            | 1,146,133,349          | 878,539,995            | 1,146,133,349          |
|   |          | 1,610,630,541          | 1,786,887,658          | 1,610,630,541          | 1,786,887,658          |
| Less: Inter unit/company elimination                        |          | -                      | 2,841,168              | -                      | -                      |
|   |          | <u>1,610,630,541</u>   | <u>1,784,046,490</u>   | <u>1,610,630,541</u>   | <u>1,786,887,658</u>   |
| <b>16.5.1</b>   |          |                        |                        |                        |                        |
| <b>Other local currency deposits</b>                        |          |                        |                        |                        |                        |
| Security deposits   |          | 932,000                | 962,000                | 932,000                | 962,000                |
| Security deposit from retail loan client                    |          | 7,912,505              | 7,912,506              | 7,912,505              | 7,912,506              |
| Sundry deposit  | 16.5.1.1 | 723,246,041            | 631,879,803            | 723,246,041            | 631,879,803            |
|   |          | <u>732,090,546</u>     | <u>640,754,309</u>     | <u>732,090,546</u>     | <u>640,754,309</u>     |
| <b>16.5.1.1</b>   |          |                        |                        |                        |                        |
| <b>Sundry deposit</b>                                       |          |                        |                        |                        |                        |
| Lease deposits  |          | 6,475,322              | 7,136,038              | 6,475,322              | 7,136,038              |
| Payable to NPS  |          | 149,721,678            | 146,880,320            | 149,721,678            | 146,880,320            |
| EFTN and BACH adjustments account                           |          | 409,653,492            | 324,586,932            | 409,653,492            | 324,586,932            |
| Payable against customers, loan account and others          |          | 157,395,549            | 153,276,513            | 157,395,549            | 153,276,513            |
|   |          | <u>723,246,041</u>     | <u>631,879,803</u>     | <u>723,246,041</u>     | <u>631,879,803</u>     |
| <b>16.6</b>   |          |                        |                        |                        |                        |
| <b>Deposits concentration</b>                               |          |                        |                        |                        |                        |
| Deposits from banks-inside Bangladesh                       | 16.6.1   | 11,401,156,996         | 9,295,668,973          | 11,401,156,996         | 9,295,668,973          |
| Other than banks  |          | 243,672,671,617        | 207,634,250,790        | 217,221,252,706        | 186,928,770,284        |
|   |          | <u>255,073,828,613</u> | <u>216,929,919,763</u> | <u>228,622,409,702</u> | <u>196,224,439,257</u> |
| <b>16.6.1</b>   |          |                        |                        |                        |                        |
| <b>Deposits from banks</b>                                  |          |                        |                        |                        |                        |
| Current deposits:   |          |                        |                        |                        |                        |
| Eldorado Member Banks                                       |          | 1,156,996              | 2,273,326              | 1,156,996              | 2,273,326              |
| Omnibus Member Banks  |          | -                      | 3,395,647              | -                      | 3,395,647              |
|   |          | <u>1,156,996</u>       | <u>5,668,973</u>       | <u>1,156,996</u>       | <u>5,668,973</u>       |
| <b>Fixed deposits from Banks:</b>                           |          |                        |                        |                        |                        |
| Agrani Bank Limited   |          | 4,000,000,000          | 2,500,000,000          | 4,000,000,000          | 2,500,000,000          |
| Bangladesh Development Bank Limited                         |          | 900,000,000            | 200,000,000            | 900,000,000            | 200,000,000            |
| Dutch-Bangla Bank Limited                                   |          | -                      | 1,000,000,000          | -                      | 1,000,000,000          |
| Sonali Bank Limited   |          | -                      | 3,000,000,000          | -                      | 3,000,000,000          |
| Hongkong Shanghai Banking Corporation                       |          | -                      | 690,000,000            | -                      | 690,000,000            |
| Prime Bank Limited  |          | 1,000,000,000          | 1,900,000,000          | 1,000,000,000          | 1,900,000,000          |
| The Premier Bank Ltd  |          | 5,500,000,000          | -                      | 5,500,000,000          | -                      |
|   |          | <u>11,400,000,000</u>  | <u>9,290,000,000</u>   | <u>11,400,000,000</u>  | <u>9,290,000,000</u>   |
|   |          | <u>11,401,156,996</u>  | <u>9,295,668,973</u>   | <u>11,401,156,996</u>  | <u>9,295,668,973</u>   |
| <b>Total deposits from banks and financial institutions</b> |          |                        |                        |                        |                        |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars   | Note | Consolidated           |                        | BRAC Bank Limited      |                        |
|---|------|------------------------|------------------------|------------------------|------------------------|
|   |      | 2018                   | 2017                   | 2018                   | 2017                   |
| <b>16.7 Payable on demand and time deposit</b>                    |      |                        |                        |                        |                        |
| i) Demand deposit   |      |                        |                        |                        |                        |
| Current deposits  |      | 71,572,415,409         | 70,657,094,841         | 44,908,931,372         | 49,490,075,662         |
| Saving deposits (9% of total saving deposits)                     |      | 3,448,868,499          | 3,159,083,122          | 3,448,868,499          | 3,159,083,122          |
| Foreign currency deposits   |      | 2,027,291,852          | 2,372,807,969          | 2,027,291,852          | 2,372,807,969          |
| Sundry deposits   |      | 723,246,042            | 631,879,803            | 723,246,042            | 631,879,803            |
| Bills payable   |      | 1,528,433,733          | 1,013,749,416          | 1,528,433,733          | 1,013,749,416          |
|   |      | <b>79,300,255,535</b>  | <b>77,834,615,151</b>  | <b>52,636,771,498</b>  | <b>56,667,595,972</b>  |
| ii) Time deposit  |      |                        |                        |                        |                        |
| Saving deposits (91% of total saving deposits)                    |      | 34,871,892,604         | 31,941,840,458         | 34,871,892,604         | 31,941,840,458         |
| Foreign currency deposits   |      | 1,473,942,985          | 1,373,183,000          | 1,473,942,985          | 1,373,183,000          |
| Fixed deposits  |      | 91,596,511,379         | 84,922,710,732         | 91,808,576,505         | 85,384,249,405         |
| Short term deposits   |      | 7,504,658,740          | 11,587,708,525         | 7,504,658,740          | 11,587,708,525         |
| Deposit pension schemes   |      | 40,317,722,865         | 9,260,987,391          | 40,317,722,865         | 9,260,987,391          |
| Security deposits   |      | 8,844,505              | 8,874,505              | 8,844,505              | 8,874,505              |
|   |      | <b>175,773,573,078</b> | <b>139,095,304,611</b> | <b>175,985,638,204</b> | <b>139,556,843,285</b> |
|   |      | <b>255,073,828,613</b> | <b>216,929,919,763</b> | <b>228,622,409,702</b> | <b>196,224,439,257</b> |
| <b>16.8 Maturity Wise Grouping of Deposits and other accounts</b> |      |                        |                        |                        |                        |
| Repayable on demand   |      | 4,581,037,576          | 2,917,671,825          | 4,581,037,576          | 2,917,671,825          |
| Repayable within 1 month  |      | 32,107,021,323         | 34,450,644,376         | 30,162,977,471         | 28,448,381,235         |
| Over 1 month but within 6 months                                  |      | 80,236,765,365         | 62,226,219,426         | 80,448,825,217         | 60,521,364,381         |
| Over 6 month but within 1 year                                    |      | 63,627,680,541         | 46,266,521,566         | 44,405,958,773         | 33,268,159,246         |
| Over 1 year but within 5 years                                    |      | 56,132,933,904         | 50,396,625,073         | 50,635,220,761         | 50,396,625,073         |
| Over 5 years but within 10 years                                  |      | 18,383,642,764         | 20,668,786,215         | 18,383,642,764         | 20,668,786,215         |
| Over 10 years   |      | 4,747,140              | 3,451,282              | 4,747,140              | 3,451,282              |
| Total   |      | <b>255,073,828,613</b> | <b>216,929,919,763</b> | <b>228,622,409,702</b> | <b>196,224,439,257</b> |
| Unclaimed deposits for 10 years or more                           |      | <b>21,926,523</b>      | <b>27,873,340</b>      | <b>21,926,523</b>      | <b>27,873,340</b>      |

The unclaimed deposit outstanding for 10 years and above will be deposited to Bangladesh Bank as per section 35 of the Bank Company Act 1991.





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars                                      | Note  | Consolidated          |                       | BRAC Bank Limited     |                       |
|--|-------|-----------------------|-----------------------|-----------------------|-----------------------|
|  |       | 2018                  | 2017                  | 2018                  | 2017                  |
| <b>17 Other liabilities</b>                      |       |                       |                       |                       |                       |
| Provision for loans and advances                 | 17.1  | 8,629,577,443         | 9,048,559,795         | 7,570,512,834         | 7,989,495,186         |
| Provision for interest receivable from loan      | 17.2  | 9,648,388             | 9,648,388             | 9,648,388             | 9,648,388             |
| Provision for other assets                       | 17.3  | 169,053,930           | 179,816,091           | 166,539,281           | 179,816,091           |
| Provisions for off balance sheet items           | 17.4  | 584,162,499           | 621,162,499           | 584,162,499           | 621,162,499           |
| Provision for diminution in value of Investments | 17.5  | 116,400,000           | -                     | 116,400,000           | -                     |
| Interest suspense                                | 17.6  | 728,543,524           | 687,170,604           | 728,543,524           | 687,170,604           |
| Withholding tax payable                          | 17.7  | 201,353,599           | 193,486,436           | 200,352,861           | 192,091,315           |
| VAT payable                                      | 17.8  | 163,436,907           | 166,123,743           | 163,436,907           | 166,123,743           |
| Excise duty payable                              |       | 95,631,302            | 79,949,593            | 95,631,302            | 79,949,593            |
| Provision for taxation net off AIT               | 17.9  | 4,186,647,881         | 4,944,699,964         | 4,027,190,457         | 4,841,055,243         |
| Deferred tax liability                           |       | 154,959,057           | 190,721,826           | 163,959,312           | 154,735,560           |
| Interest payable                                 |       | 4,003,378,728         | 1,826,376,155         | 4,003,378,728         | 1,826,376,155         |
| Accrued expenses                                 |       | 4,207,212,303         | 3,596,142,018         | 2,231,347,234         | 2,266,094,859         |
| Share subscription - IPO (refund warrant)        |       | 224,829               | 223,727               | 224,829               | 223,727               |
| Right share subscription                         |       | 636,674               | 636,674               | 636,674               | 636,674               |
| Payable to on-shore                              |       | 1,174,524,944         | 1,182,891,586         | 1,174,524,944         | 1,182,891,586         |
| Payable settlement account-OBUD/DBU              |       | -                     | 1,285,509,100         | -                     | 1,285,509,100         |
| Cheque clearing account                          |       | 316,002               | 316,002               | 316,002               | 316,002               |
| Margin on Letter of Credits                      |       | 607,438,283           | 1,029,664,286         | 607,438,283           | 1,029,664,286         |
| Margin on Letter of Guarantees                   |       | 259,342,242           | 220,624,615           | 259,342,242           | 220,624,615           |
| Unclaimed dividend                               |       | 60,578,743            | 60,926,038            | 60,578,743            | 60,926,038            |
| Suppliers payable                                |       | 136,037,935           | 161,114,594           | 136,037,935           | 161,114,594           |
| Payable against exchange houses                  |       | 631,534               | 23,550                | 631,534               | 23,550                |
| Payable against insurances                       |       | 35,520,289            | 30,813,366            | 35,520,289            | 30,813,366            |
| Payable to Omnibus                               |       | 896,130               | 896,130               | 896,130               | 896,130               |
| Payable against FDD                              |       | 899,808,905           | 473,300,643           | 899,808,905           | 473,300,643           |
| Payable against SWIFT charge                     |       | 21,628,575            | 1,500,441             | 21,628,575            | 1,500,441             |
| Others payable                                   | 17.10 | 1,768,875,124         | 1,621,448,121         | 1,768,875,124         | 1,621,448,121         |
| Less: Off-shore to on-shore                      |       | (1,174,524,944)       | (2,468,400,686)       | (1,174,524,944)       | (2,468,400,686)       |
| Other liabilities of subsidiaries                | 17.11 | 2,885,396,201         | 3,454,875,172         | -                     | -                     |
|  |       | <b>29,927,337,027</b> | <b>28,600,220,470</b> | <b>23,853,038,592</b> | <b>22,615,207,423</b> |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars  | Consolidated         |                      | BRAC Bank Limited    |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | 2018                 | 2017                 | 2018                 | 2017                 |
| <b>17.1 Provision for loans, advances</b>  |                      |                      |                      |                      |
| Provision for loans and advances is created for covering the Bank from possible loan losses in the future. General provision is made on the outstanding amount of loans and advances without considering the classification status following the prescribed rate of Bangladesh Bank. Classified loans and advances of the Banks are categorized as Sub-Standard, Doubtful and Bad/Loss as per Bangladesh Bank circulars. For loans which are classified as sub-standard, doubtful or bad/loss, specific provision is created netting off security value and interest suspense from the amount outstanding. |                      |                      |                      |                      |
| <b>A. General</b>  |                      |                      |                      |                      |
| Provisions held at the beginning of the year   | 2,340,559,156        | 2,090,767,680        | 2,340,559,156        | 2,090,767,680        |
| Add: Exchange difference   | 1,350,325            | 15,071,195           | 1,350,325            | 15,071,195           |
| Add: Net charge to Profit and Loss A/C   | 161,934,329          | 234,720,281          | 161,934,329          | 234,720,281          |
| <b>Provisions held at the end of the year</b>  | <b>2,503,843,810</b> | <b>2,340,559,156</b> | <b>2,503,843,810</b> | <b>2,340,559,156</b> |
| <b>B. Specific</b>   |                      |                      |                      |                      |
| Provisions held at the beginning of the year (i)   | 6,708,000,639        | 5,924,326,528        | 5,648,936,030        | 4,865,261,919        |
| Less: Write off during the year (ii)   | (1,882,375,185)      | (1,013,785,585)      | (1,882,375,185)      | (1,013,785,585)      |
| Add: Recovery of written off bad debts (iii)   | 783,059,719          | 1,039,185,296        | 783,059,719          | 1,039,185,296        |
| Add: Exchange difference (iv)  | (4,762,348)          | 211,956              | (4,762,348)          | 211,956              |
| Add: Specific provision for the year (v)   | 1,304,870,528        | 1,797,247,740        | 1,304,870,528        | 1,797,247,740        |
| Net charge to Profit and Loss A/C (vi)   | 521,810,809          | 758,062,444          | 521,810,809          | 758,062,444          |
| <b>Provisions held at the end of the year (i+ii-iii+iv+vi)</b>   | <b>6,125,733,634</b> | <b>6,708,000,639</b> | <b>5,066,669,025</b> | <b>5,648,936,030</b> |
| <b>Total provision held at the end of the year (A+B)</b>   | <b>8,629,577,444</b> | <b>9,048,559,795</b> | <b>7,570,512,835</b> | <b>7,989,495,186</b> |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars   | Note | Consolidated       |                    | BRAC Bank Limited  |                    |
|---|------|--------------------|--------------------|--------------------|--------------------|
|   |      | 2018               | 2017               | 2018               | 2017               |
| <b>17.2 Provision for interest receivable from loan</b> |      |                    |                    |                    |                    |
| Provisions held at the beginning of the year            |      |                    |                    |                    | 9,605,500          |
| Add: Net charge to Profit and Loss A/C                  |      | 9,648,388          | 9,605,500          | 9,648,388          | 42,888             |
| Provisions held at the end of the year                  |      | <u>9,648,388</u>   | <u>9,648,388</u>   | <u>9,648,388</u>   | <u>9,648,388</u>   |
| <b>17.3 Provision for other assets</b>                  |      |                    |                    |                    |                    |
| Provisions held at the beginning of the year            |      | 179,816,091        | 79,367,985         | 179,816,091        | 79,367,985         |
| Add: Net charge to Profit and Loss A/C                  |      | (10,762,161)       | 100,448,106        | (13,276,810)       | 100,448,106        |
| Provisions held at the end of the year                  |      | <u>169,053,930</u> | <u>179,816,091</u> | <u>166,539,281</u> | <u>179,816,091</u> |

17.3.1 Particulars of required provision for other assets (bank only)

| Other asset type                  | Other assets balance | Doubtful (50%) | Bad/Loss (100%) | Required provision | Actual provision   |
|-----------------------------------|----------------------|----------------|-----------------|--------------------|--------------------|
| Sundry debtors                    | 6,636,784            | 14,500         | 6,350,580       | 6,357,830          | 6,420,987          |
| Receivable from BACH              | 5,025,941            | -              | 5,000,000       | 5,000,000          | 5,000,000          |
| Receivable from Co-Brand ATM      | 27,020,242           | -              | 27,020,242      | 27,020,242         | 27,020,242         |
| Receivable from Partners          | 3,072,676            | 3,360          | 2,408,311       | 2,409,991          | 2,409,991          |
| Receivable from Partners - others | 167,454              | 35,052         | 28,305          | 45,831             | 60,213             |
| Receivable in proxy account       | 11,629,113           | 904,532        | 6,349,496       | 6,801,762          | 6,849,241          |
| Protested bill                    | 117,010,489          | -              | 117,010,489     | 117,010,489        | 118,778,607        |
|                                   |                      |                |                 | <u>164,646,145</u> | <u>166,539,281</u> |

17.4 Provisions for off balance sheet items

Provision for off balance sheet items is made as per BRPD circular no. 14 of September 2012 and BRPD circular no 7 of June 21, 2018 for covering the bank for possible losses on off balance sheet items in the future. Details movement of provision for off balance sheet items is as follows:

| Particulars                          | Consolidated       |                    | BRAC Bank Limited  |                    |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                      | 2018               | 2017               | 2018               | 2017               |
| Balance at the beginning of the year | 621,162,499        | 489,847,170        | 621,162,499        | 489,847,170        |
| Add: Provision made during the year  | (37,000,000)       | 131,315,329        | (37,000,000)       | 131,315,329        |
| Balance at the end of the year       | <u>584,162,499</u> | <u>621,162,499</u> | <u>584,162,499</u> | <u>621,162,499</u> |

17.4.1 Particulars of required provisions for off balance sheet items - General provision

| Particulars                            | Outstanding    | Percentage (%) of required provision | Required provision 2018 | Required provision 2017 |
|--|----------------|--------------------------------------|-------------------------|-------------------------|
| Acceptances and endorsements           | 31,170,526,059 | 1%                                   | 311,705,261             | 218,551,586             |
| Irrevocable letters of credit          | 16,394,979,800 | 1%                                   | 163,949,798             | 81,096,597              |
| Letter of guaranties                   | 10,218,069,408 | 1%                                   | 102,180,694             | 225,689,195             |
| Bills for collection                   | -              | -                                    | -                       | 40,134,696              |
| Total required provision               |                |                                      | <u>577,835,753</u>      | <u>565,492,074</u>      |
| Total provision maintained (Note 17.4) |                |                                      | <u>584,162,499</u>      | <u>621,162,499</u>      |
| Excess/(short) provision               |                |                                      | <u>6,326,746</u>        | <u>55,670,425</u>       |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars  | Note | Consolidated         |                      | BRAC Bank Limited    |                      |
|--|------|----------------------|----------------------|----------------------|----------------------|
|  |      | 2018                 | 2017                 | 2018                 | 2017                 |
| <b>17.5 Provision for diminution in value of investments</b>   |      |                      |                      |                      |                      |
| Balance at the beginning of the year   |      | -                    | 72,224,112           | -                    | 72,224,112           |
| Add: Provision made (released) during the year   |      | 116,400,000          | (72,224,112)         | 116,400,000          | (72,224,112)         |
| Balance at the end of the year   |      | <u>116,400,000</u>   | <u>-</u>             | <u>116,400,000</u>   | <u>-</u>             |
| <b>17.6 Interest suspense</b>  |      |                      |                      |                      |                      |
| Classified loans and advances of the Banks are categorized as sub-standard, doubtful and bad/loss as per guidelines of Bangladesh Bank. Interest accrued on Sub-Standard, Doubtful and Bad/Loss loans is transferred to interest suspense account and not considered as interest income. This interest is recognized as interest income when it is realized in cash by the bank. |      |                      |                      |                      |                      |
| Balance at the beginning of the year   |      | 687,170,604          | 721,066,429          | 687,170,604          | 721,066,429          |
| Add: Amount transferred to "Interest Suspense" account during the year   |      | 601,033,603          | 537,463,972          | 601,033,603          | 537,463,972          |
|  |      | <u>1,288,204,207</u> | <u>1,258,530,401</u> | <u>1,288,204,207</u> | <u>1,258,530,401</u> |
| Less: Amount recovered in "Interest Suspense" account during the year  |      | 384,027,670          | 466,739,065          | 384,027,670          | 466,739,065          |
| Less: Amount written off during the year   |      | 175,633,013          | 104,620,732          | 175,633,013          | 104,620,732          |
| Balance at the end of the year   |      | <u>728,543,524</u>   | <u>687,170,604</u>   | <u>728,543,524</u>   | <u>687,170,604</u>   |
| <b>17.7 Withholding tax payable</b>  |      |                      |                      |                      |                      |
| Payable on Interest  |      | 139,196,198          | 135,819,548          | 139,196,198          | 135,819,548          |
| Payable (Suppliers)  |      | 12,311,203           | 6,085,416            | 12,311,203           | 6,085,416            |
| Payable (Contractors and Consultants)  |      | 8,923,966            | 7,423,201            | 8,923,966            | 7,423,201            |
| Payable (Staff Salaries and Allowance)   |      | 3,947,217            | 3,721,767            | 3,947,217            | 3,721,767            |
| Payable (Rent)   |      | 9,450,676            | 20,585,307           | 9,450,676            | 20,585,307           |
| Payable (Export)   |      | 4,630,211            | 4,531,352            | 4,630,211            | 4,531,352            |
| Payable on commission paid   |      | 1,061,911            | 448,376              | 1,061,911            | 448,376              |
| Payable on professional services   |      | 10,700,768           | 7,920                | 10,700,768           | 7,920                |
| Payable on export cash subsidy   |      | 2,032,732            | 4,125,184            | 2,032,732            | 4,125,184            |
| Payable on local LC  |      | -                    | 473,366              | -                    | 473,366              |
| Payable on foreign buyer agent   |      | 7,268,063            | 688,033              | 7,268,063            | 688,033              |
| Payable on IGW services  |      | 1,830,654            | 9,119,105            | 829,916              | 7,723,984            |
| Payable on others  |      | <u>201,353,599</u>   | <u>193,486,436</u>   | <u>200,352,861</u>   | <u>192,091,315</u>   |
| <b>17.8 VAT Payable</b>  |      |                      |                      |                      |                      |
| Payable on banking service   |      | 21,882,581           | 20,408,696           | 21,882,581           | 20,408,696           |
| Payable - Supplier   |      | 27,149,109           | 6,412,537            | 27,149,109           | 6,412,537            |
| Payable - Rent   |      | 11,451,121           | 18,320,563           | 11,451,121           | 18,320,563           |
| Payable - DESCO  |      | 13,986,802           | 10,652,235           | 13,986,802           | 10,652,235           |
| Payable - BPDB   |      | 20,113,742           | 12,522,380           | 20,113,742           | 12,522,380           |
| Payable - BTCL   |      | -                    | 29,511,469           | -                    | 29,511,469           |
| Payable - DPDC   |      | 68,741,619           | 68,223,868           | 68,741,619           | 68,223,868           |
| Payable - REB  |      | 111,933              | 71,995               | 111,933              | 71,995               |
|  |      | <u>163,436,907</u>   | <u>166,123,743</u>   | <u>163,436,907</u>   | <u>166,123,743</u>   |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars   | Note | Consolidated |      | BRAC Bank Limited     |                       |
|---|------|--------------|------|-----------------------|-----------------------|
|   |      | 2018         | 2017 | 2018                  | 2017                  |
| <b>17.9</b>   |      |              |      |                       |                       |
| <b>Provision for taxation net off AIT (Bank only)</b> |      |              |      |                       |                       |
| <b>A. Provision for tax:</b>                          |      |              |      |                       |                       |
| Balance at the beginning of the year                  |      |              |      | 15,155,352,574        | 11,961,311,619        |
| Add: Provision made during the year                   |      |              |      | 2,523,031,538         | 3,196,240,955         |
| Less: Adjustment of tax provision for previous years  |      |              |      | 17,678,384,112        | 15,157,552,574        |
| <b>Balance at the end of the year</b>                 |      |              |      | <b>17,678,384,112</b> | <b>15,155,352,574</b> |
| <b>B. Advance income tax:</b>                         |      |              |      |                       |                       |
| Balance at the beginning of the year                  |      |              |      | 10,314,297,331        | 8,053,627,021         |
| Add: Paid during the year                             |      |              |      | 3,336,896,324         | 2,260,670,310         |
| Less: Adjustment made during the year                 |      |              |      | 13,651,193,655        | 10,314,297,331        |
| Balance at the end of the year                        |      |              |      | 13,651,193,655        | 10,314,297,331        |
| <b>Provision for taxation (A-B)</b>                   |      |              |      | <b>4,027,190,457</b>  | <b>4,841,055,243</b>  |

Corporate tax position of the Bank has been shown in Annexure G.

**17.9.1**

**Reconciliation of effective tax rate (Standalone)**

| Particulars   | 2018 (Standalone) |                      | 2017 (Standalone) |                      |
|---|-------------------|----------------------|-------------------|----------------------|
|   | %                 | Taka                 | %                 | Taka                 |
| Profit before income tax as per profit and loss account       |                   | 8,072,406,088        |                   | 7,897,474,688        |
| Income tax as per applicable tax rate                         |                   | 3,027,152,283        |                   | 3,158,989,875        |
| <b>Factors affecting the tax charge for current year</b>      |                   |                      |                   |                      |
| Inadmissible expenses   | 37.50%            |                      | 40.00%            |                      |
| Admissible expenses in the current year (i.e. write-off etc.) | 19.82%            | 1,616,265,488        | 26.00%            | 2,052,987,391        |
| Tax exempted income   | -20.70%           | (1,683,206,373)      | -20.07%           | (1,594,864,242)      |
| Tax savings from reduced tax rates for dividend               | -4.85%            | (394,297,194)        | -4.52%            | (364,914,826)        |
| Tax loss/(savings) from reduced tax rates for capital gain    | -0.28%            | (23,128,084)         | -0.26%            | (20,166,982)         |
| Effect of deferred tax  | -0.24%            | (19,754,563)         | -0.58%            | (45,790,261)         |
|   | 0.03%             | 2,070,551            | -6.95%            | (548,886,313)        |
| <b>Total income tax expenses</b>                              | <b>31.28%</b>     | <b>2,525,102,089</b> | <b>33.52%</b>     | <b>2,647,354,642</b> |

**17.10**

**Other payables**

| Particulars                          | Consolidated         |                      | BRAC Bank Limited    |                      |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                      | 2018                 | 2017                 | 2018                 | 2017                 |
| Payables related to cards and others | 306,563,218          | 219,159,545          | 306,563,218          | 219,159,545          |
| Payables for good borrower rebate    | 206,646,220          | 168,246,220          | 206,646,220          | 168,246,220          |
| Payable to merchant                  | 7,456,291            | 7,668,711            | 7,456,291            | 7,668,711            |
| Payables to co brand ATM             | 4,070,495            | 4,070,495            | 4,070,495            | 4,070,495            |
| FX translation adjustments - contra  | (8,554,674)          | -                    | (8,554,674)          | -                    |
| REPO interest income                 | (1,552,254)          | -                    | (1,552,254)          | -                    |
| Miscellaneous payable                | 1,254,245,828        | 1,222,303,150        | 1,254,245,828        | 1,222,303,150        |
|                                      | <b>1,768,875,124</b> | <b>1,621,448,121</b> | <b>1,768,875,124</b> | <b>1,621,448,121</b> |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars                             | Note | Consolidated         |                      | BRAC Bank Limited |      |
|---|------|----------------------|----------------------|-------------------|------|
|   |      | 2018                 | 2017                 | 2018              | 2017 |
| 17.11 Other liabilities of subsidiaries |      |                      |                      |                   |      |
| BRAC EPL Investments Limited            |      | 116,282,939          | 396,103,995          |                   |      |
| BRAC EPL Stock Brokerage Limited        |      | 474,246,251          | 1,754,747,941        |                   |      |
| bKash Limited                           |      | 1,697,967,906        | 1,132,014,096        |                   |      |
| BRAC SAAJAN Exchange Limited            |      | 598,049,654          | 385,867,236          |                   |      |
|   |      | <u>2,886,546,750</u> | <u>3,668,733,268</u> |                   |      |
| Less: Inter company transactions:       |      |                      |                      |                   |      |
| BRAC Bank Limited                       |      | 385,377              | 15,022,580           |                   |      |
| BRAC EPL Investments Limited            |      | 304,814              | 995,551              |                   |      |
| BRAC EPL Stock Brokerage Limited        |      | 21,022               | 34,500               |                   |      |
| bKash Limited                           |      | 439,336              | 901,998              |                   |      |
| BRAC SAAJAN Exchange Limited            |      | -                    | 196,903,467          |                   |      |
|   |      | <u>1,150,549</u>     | <u>213,858,096</u>   |                   |      |
|   |      | <u>2,885,396,201</u> | <u>3,454,875,172</u> |                   |      |

18 Share capital

18.1 Authorized capital

Authorized Capital is the maximum amount of share capital that the bank is authorised by its Memorandum of Association and Article of Association to issue to shareholders.

|   |                |                |
|---|----------------|----------------|
| 2,000,000,000 (2017:1,200,000,000) ordinary shares of Tk. 10 each | 20,000,000,000 | 12,000,000,000 |
|---|----------------|----------------|

18.2 Issued, Subscribed and Paid up Capital

The issued share capital of the bank is the total nominal value of the shares of the bank which have been issued to shareholders and which remain outstanding.

|   |                       |                      |
|---|-----------------------|----------------------|
| 100,000,000 Ordinary Shares of Tk. 10/- each issued for cash                          | 1,000,000,000         | 1,000,000,000        |
| 718,270,039 Ordinary Shares of Tk. 10/- each issued as bonus share                    | 7,182,700,390         | 5,037,699,820        |
| 26,400,000 Right Shares of Tk. 10/- each issued in 2008                               | 264,000,000           | 264,000,000          |
| 221,652,288 Right Shares of Tk. 10/- each issued in 2014                              | 2,216,522,880         | 2,216,522,880        |
| 1,149,589 Ordinary Shares of Tk. 10/- each issued as 1st bond converted share in 2016 | 11,495,890            | 11,495,890           |
| 2,237,835 Ordinary Shares of Tk. 10/- each issued as 2nd bond converted share in 2017 | 22,378,350            | 22,378,350           |
| 2,790,534 Ordinary Shares of Tk. 10/- each issued as 3rd bond converted share in 2018 | 27,905,340            | -                    |
|   | <u>10,725,002,850</u> | <u>8,552,096,940</u> |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

18.2.1 History of paid-up capital

Given below the history of raising of share capital of BRAC Bank Limited:

| Particulars   | Allotment Year | Number of Shares Issued |              | Paid up shares (No of shares) | Amount of Share Capital (BDT) | Total Paid up Capital (Cumulative) |
|---|----------------|-------------------------|--------------|-------------------------------|-------------------------------|------------------------------------|
|   |                | Bonus shares            | Subscription |                               |                               |                                    |
| First (Subscription to the Memorandum and Articles of Association) at the time of Incorporation | 1999           |                         | 2,000,000    | 2,000,000                     | 200,000,000                   | 200,000,000                        |
| BRAC (subscription)   | 2001           |                         | 500,000      | 2,500,000                     | 50,000,000                    | 250,000,000                        |
| BRAC (subscription)   | 2003           |                         | 674,500      | 3,174,500                     | 67,450,000                    | 317,450,000                        |
| ShoreCap International Ltd.   | 2004           |                         | 875,700      | 4,050,200                     | 87,570,000                    | 405,020,000                        |
| International Finance Corporation   | 2004           |                         | 949,800      | 5,000,000                     | 94,980,000                    | 500,000,000                        |
| IPO   | 2006           | 5,000,000               |              | 10,000,000                    | 500,000,000                   | 1,000,000,000                      |
|   | 2007           | 2,000,000               |              | 12,000,000                    | 200,000,000                   | 1,200,000,000                      |
| Bonus 10%   | 2008           | 1,200,000               |              | 13,200,000                    | 120,000,000                   | 1,320,000,000                      |
| Right Share 20%   | 2008           | 2,640,000               |              | 15,840,000                    | 264,000,000                   | 1,584,000,000                      |
| Bonus Share 30%   | 2009           | 4,752,000               |              | 20,592,000                    | 475,200,000                   | 2,059,200,000                      |
| Bonus Share 30%   | 2010           | 6,177,600               |              | 26,769,600                    | 617,760,000                   | 2,676,960,000                      |
| Bonus Share 20%   | 2011           | 5,353,920               |              | 321,235,200 (Denominated)     | 535,392,000                   | 3,212,352,000                      |
| Bonus Share 20%   | 2012           | 64,247,040              |              | 385,482,240                   | 642,470,400                   | 3,854,822,400                      |
| Bonus Share 15%   | 2013           | 57,822,336              |              | 443,304,576                   | 578,223,360                   | 4,433,045,760                      |
| Bonus Share 10%   | 2014           | 44,330,457              |              | 487,635,033                   | 443,304,570                   | 4,876,350,330                      |
| Right share 50%   | 2014           | 221,652,288             |              | 709,287,321                   | 2,216,522,880                 | 7,092,873,210                      |
| Fresh Issue against Bond, 1st Conversion of Bond  | 2016           | 1,149,589               |              | 710,436,910                   | 11,495,890                    | 7,104,369,100                      |
| Fresh Issue against Bond, 2nd Conversion of Bond  | 2017           | 2,237,835               |              | 712,674,745                   | 22,378,350                    | 7,126,747,450                      |
| Bonus Share 20%   | 2017           | 142,534,949             |              | 855,209,694                   | 1,425,349,490                 |                                    |
| Fresh Issue against Bond, 3rd Conversion of Bond  | 2018           | 2,790,534               |              | 858,000,228                   | 27,905,340                    | 8,580,002,280                      |
| Bonus Share 25%   | 2018           | 214,500,057             |              | 1,072,500,285                 | 2,145,000,570                 | 10,725,002,850                     |
| Total   |                |                         |              | 1,072,500,285                 | 10,725,002,850                |                                    |

18.2.2 Issued, Subscribed and Paid up Capital

| Particulars                                       | Note | Consolidated   |               | BRAC Bank Limited |
|---|------|----------------|---------------|-------------------|
|   |      | 2018           | 2017          | 2018              |
| Balance at the beginning of the year              |      | 8,552,096,940  | 7,104,369,100 | 8,552,096,940     |
| Add: Bond converted ordinary share issued in 2018 |      | 27,905,340     | 22,378,350    | 27,905,340        |
| Add: Stock dividend of 2017 issued in 2018        |      | 2,145,000,570  | 1,425,349,490 | 2,145,000,570     |
| Closing at the end of the year                    |      | 10,725,002,850 | 8,552,096,940 | 10,725,002,850    |

18.3 Initial Public Offering (IPO)

According to IPO rules 2006 "Initial public offering (IPO)" means first offering of security by an issuer to the general public. Out of the total issued, subscribed, and fully paid up capital of the bank 5,000,000 ordinary shares of Tk. 100.00 each amounting to Taka 500,000,000 was raised through Initial public offering of shares held in 2006.





**Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)**

**18.4 Cash Dividend/Bonus Issue**

On 26 April 2018, Stock Dividend 25% (25 Bonus Shares for every 100 shares) were approved by the shareholders in 19th Annual General Meeting. The stock dividend was paid accordingly.

**18.4.a** The Bank held its 8th EGM on 3 November 2011 and charged the face value of share from Tk. 100 per share to Tk. 10 per share and market lot of shares from 50 shares to 500 shares in each lot. The maximum limit for Authorized Share capital was increased to BDT 12,000,000,000. At 11 December 2014, DSE new Trading system launched that neutralize market lot into 1 shares.

**18.5 Ordinary Shares**

|                                 | No. of Shares (2018) | % of shareholding (2018) | 2018 Taka             | 2017 Taka            |
|---------------------------------|----------------------|--------------------------|-----------------------|----------------------|
| <b>Sponsor:</b>                 |                      |                          |                       |                      |
| BRAC                            | 474,897,676          | 44.28%                   | 4,748,976,760         | 3,799,181,410        |
| Others                          | 219,699              | 0.02%                    | 2,196,990             | 1,757,610            |
| <b>Non Sponsor:</b>             |                      |                          |                       |                      |
| Non Resident Bangladeshis       | 1,222,652            | 0.12%                    | 12,226,520            | 6,373,370            |
| Mutual Funds                    | 13,167,315           | 1.22%                    | 131,673,150           | 139,884,060          |
| Institutions and General Public | 582,992,943          | 54.36%                   | 5,829,929,430         | 4,604,900,490        |
|                                 | <u>1,072,500,285</u> | <u>100%</u>              | <u>10,725,002,850</u> | <u>8,552,096,940</u> |

As per Listing rules 2015 of DSE, International Finance Corporation (IFC) is not considered as Sponsor and accordingly shareholding changes and placed in (Non-Sponsor) category of Institutions and General Public

**18.5.1 Share trading**

The Bank traded its ordinary shares in Central Depository Bangladesh Limited (CDBL) through Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) on 31 January 2007. The closing market price on 31 December 2018 was Tk. 72.70 at Dhaka Stock Exchange (DSE) and Tk. 72.90 at Chittagong Stock Exchange (CSE).

**18.6 Classification of Shareholding**

**Range of Holding of Shares**

|                      | No. of Shareholders (2018) | No. of Shares (2018) | Percentage of Holding of Shares (2018) |
|----------------------|----------------------------|----------------------|--|
| Less than 500        | 6,205                      | 1,102,788            | 0.10%                                  |
| 500 to 5,000         | 8,341                      | 15,998,741           | 1.49%                                  |
| 5,001 to 10,000      | 1,522                      | 10,159,357           | 0.95%                                  |
| 10,001 to 20,000     | 619                        | 8,974,947            | 0.84%                                  |
| 20,001 to 30,000     | 193                        | 4,883,375            | 0.46%                                  |
| 30,001 to 40,000     | 111                        | 3,906,110            | 0.36%                                  |
| 40,001 to 50,000     | 49                         | 2,260,671            | 0.21%                                  |
| 50,001 to 100,000    | 147                        | 10,662,870           | 0.99%                                  |
| 100,001 to 1,000,000 | 188                        | 58,458,302           | 5.45%                                  |
| Over 1,000,000       | 84                         | 956,093,124          | 89.15%                                 |
| <b>Total</b>         | <b>17,459</b>              | <b>1,072,500,285</b> | <b>100%</b>                            |





18.6.1 Name of the Directors and their shareholdings as at 31 December 2018:

| Sl. No. | Name   | Status               | Opening position | Closing position | % of shares held as on 31.12.2018 |
|---------|--|----------------------|------------------|------------------|-----------------------------------|
| 1       | Sir Fazle Hasan Abed KCMG                          | Chairman             | 8,424            | 10,530           | 0.001                             |
| 2       | Mr. Shih Narayan Kariy                             | Nominated Director   | 6,409            | 8,011            | 0.001                             |
| 3       | Ms. Nihad Kabir (Nominated)                        | Nominated Director   | 31,046           | 38,807           | 0.003                             |
| 4       | Mr. Kaiser Kabir (Nominated)                       | Nominated Director   | 110,000          | 137,500          | 0.012                             |
| 5       | Mr. Asif Saleh (Nominated by Independent Director) | Independent Director | -                | -                | -                                 |
| 6       | Dr. Ahsan H Mansur                                 | Independent Director | -                | -                | -                                 |
| 7       | Mr. Kazi Mahmood Sattar                            | Independent Director | -                | -                | -                                 |
| 8       | Ms. Fahima Choudhury                               | Nominated Director   | -                | -                | -                                 |

| Particulars | Note | Consolidated | BRAC Bank Limited |
|-------------|------|--------------|-------------------|
|             |      | 2018         | 2017              |

18.7 Share Premium

5,000,000 ordinary shares @ Tk. 70 per share in the year 2006  
 2,840,000 ordinary shares @ Tk. 400 per share in the year 2008  
 221,652,288 ordinary shares @ Tk. 10 per share in the year 2014  
 1,149,589 ordinary shares @ Tk. 32.55 per share in the year 2016  
 2,237,835 ordinary shares @ Tk. 35.10 per share in the year 2017  
 2,790,534 ordinary shares @ Tk. 41.31 per share in the year 2018

18.7.1

Particulars of Share Premium

Sponsor:

BRAC  
 ShoreCap International Limited  
 Others

Non Sponsor:

International Finance Corporation (IFC)  
 Non Resident Bangladeshis  
 Mutual Funds  
 General Public

|  |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|
| 5,000,000 ordinary shares @ Tk. 70 per share in the year 2006    | 350,000,000          | 350,000,000          | 350,000,000          | 350,000,000          |
| 2,840,000 ordinary shares @ Tk. 400 per share in the year 2008   | 1,056,000,000        | 1,056,000,000        | 1,056,000,000        | 1,056,000,000        |
| 221,652,288 ordinary shares @ Tk. 10 per share in the year 2014  | 2,216,522,880        | 2,216,522,880        | 2,216,522,880        | 2,216,522,880        |
| 1,149,589 ordinary shares @ Tk. 32.55 per share in the year 2016 | 37,419,151           | 37,419,151           | 37,419,151           | 37,419,151           |
| 2,237,835 ordinary shares @ Tk. 35.10 per share in the year 2017 | 78,548,041           | 78,548,041           | 78,548,041           | 78,548,041           |
| 2,790,534 ordinary shares @ Tk. 41.31 per share in the year 2018 | 115,276,960          | 115,276,960          | 115,276,960          | -                    |
|  | <b>3,853,767,032</b> | <b>3,853,767,032</b> | <b>3,853,767,032</b> | <b>3,738,490,072</b> |

|   |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|
| BRAC                                    | 1,324,534,000        | 1,324,534,000        | 1,324,534,000        | 1,324,534,000        |
| ShoreCap International Limited          | 92,473,920           | 92,473,920           | 92,473,920           | 92,473,920           |
| Others                                  | 192,580              | 192,580              | 192,580              | 192,580              |
| Non Sponsor:                            |                      |                      |                      |                      |
| International Finance Corporation (IFC) | 219,056,640          | 219,056,640          | 219,056,640          | 219,056,640          |
| Non Resident Bangladeshis               | 91,555,530           | 91,555,530           | 91,555,530           | 91,555,530           |
| Mutual Funds                            | 189,254,190          | 189,254,190          | 189,254,190          | 189,254,190          |
| General Public                          | 1,936,700,172        | 1,936,700,172        | 1,936,700,172        | 1,821,423,212        |
|   | <b>3,853,767,032</b> | <b>3,853,767,032</b> | <b>3,853,767,032</b> | <b>3,738,490,072</b> |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars   | Consolidated          |                       | BRAC Bank Limited     |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2018                  | 2017                  | 2018                  | 2017                  |
| <b>18.8 Capital Adequacy Ratio - As per BASEL- III</b>  |                       |                       |                       |                       |
| <b>Common Equity Tier-1 (Going Concern Capital)</b>   |                       |                       |                       |                       |
| Fully Paid-up Capital/Funds from Head Office for the Purpose of Meeting the Capital Adequacy  | 10,725,002,850        | 8,552,096,940         | 10,725,002,850        | 8,552,096,940         |
| Non-repayable Share Premium Account   | 3,853,767,032         | 3,738,490,072         | 3,853,767,032         | 3,738,490,072         |
| Statutory Reserve   | 6,428,088,086         | 4,813,606,868         | 6,428,088,086         | 4,813,606,868         |
| General Reserve   | -                     | -                     | -                     | -                     |
| Retained Earnings   | 13,342,589,184        | 8,606,876,878         | 9,794,724,973         | 7,991,713,548         |
| Minority Interest in Subsidiaries   | 355,218,455           | 355,218,455           | 355,218,455           | 355,218,455           |
| Actuarial gain/loss (Actuarial gain/loss kept in books in Bangladesh for Foreign Banks)   | 6,450,122,579         | 1,829,699,277         | -                     | -                     |
| Non-repayable interest-free funds from Head Office for the purpose of acquisition of property and held in a separate account and have the ability to absorb losses regardless of their source (Applicable for Foreign Banks)                                | -                     | -                     | -                     | -                     |
| Others (if any item approved by Bangladesh Bank)  | -                     | -                     | -                     | -                     |
| <b>Sub-total</b>  | <b>41,154,788,186</b> | <b>27,895,988,490</b> | <b>31,156,801,396</b> | <b>25,451,125,883</b> |
| <b>Regulatory Adjustments</b>   |                       |                       |                       |                       |
| Shortfall in provisions required against Non Performing Loans (NPLs)  | -                     | -                     | -                     | -                     |
| Shortfall in provisions required against investment in shares   | -                     | -                     | -                     | -                     |
| Remaining deficit on account of revaluation of investments in securities after netting off from any other surplus on the securities   | -                     | -                     | -                     | -                     |
| Goodwill and all other Intangible Assets  | 3,015,565,228         | 2,201,635,749         | 885,599,956           | 386,862,418           |
| Deferred Tax Assets (DTA)   | 1,844,770,407         | 1,812,793,466         | 1,491,221,037         | 1,530,145,915         |
| Defined benefit pension fund assets   | -                     | -                     | -                     | -                     |
| Gain on sale related to securitization transactions   | -                     | -                     | -                     | -                     |
| Investment in own CET-1 Instruments/Shares (as per Para 3.4.7 of Basel III Guidelines)  | -                     | -                     | -                     | -                     |
| Reciprocal Crossholdings in the CET-1 Capital of Banking, Financial and Insurance Entities  | -                     | -                     | -                     | -                     |
| Any investment exceeding the approved limit under section 26 ka(1) of Bank Company Act, 1991 (50% of Investment)  | -                     | -                     | -                     | -                     |
| Investments in subsidiaries which are not consolidated (50% of Investment)  | -                     | -                     | -                     | -                     |
| Others if any   | -                     | -                     | -                     | -                     |
| <b>Sub-total</b>  | <b>4,860,335,635</b>  | <b>4,014,429,215</b>  | <b>2,376,820,993</b>  | <b>1,917,008,333</b>  |
| <b>Total common equity Tier-1 capital</b>   | <b>36,294,452,551</b> | <b>23,881,559,275</b> | <b>28,779,980,403</b> | <b>23,534,117,550</b> |
| <b>Additional Tier-1 Capital</b>  |                       |                       |                       |                       |
| Non-cumulative irredeemable preference shares   | -                     | -                     | -                     | -                     |
| Instruments issued by the banks that meet the qualifying criteria for AT1 (as specified in Annex-4 of Basel III Guidelines)   | -                     | -                     | -                     | -                     |
| Minority Interest i.e. AT1 issued by consolidated subsidiaries to third parties as specified in Annex-4 of Basel III Guidelines (for consolidated reporting)  | -                     | -                     | -                     | -                     |
| Head Office borrowings in foreign currency by foreign banks operating in Bangladesh for inclusion in Additional Tier 1 capital which comply with the regulatory requirements as specified in Annex-4 of Basel III Guidelines (Applicable for Foreign Banks) | -                     | -                     | -                     | -                     |
| Any other item specifically allowed by BB from time to time for inclusion in Additional Tier 1 Capital (Applicable for Foreign Banks)   | -                     | -                     | -                     | -                     |
| Others (if any item approved by Bangladesh Bank)  | -                     | -                     | -                     | -                     |
| <b>Subtotal</b>   | <b>-</b>              | <b>-</b>              | <b>-</b>              | <b>-</b>              |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars   | Consolidated          |                       | BRAC Bank Limited     |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2018                  | 2017                  | 2018                  | 2017                  |
| <b>Regulatory Adjustments:</b>  |                       |                       |                       |                       |
| Investment in own AT-1 Instrument/Share (as per Para 3.4.7 of Basel III Guidelines)   | -                     | -                     | -                     | -                     |
| Reciprocal crossholdings in the AT-1 Capital of Banking, Financial and Insurance Entities   | -                     | -                     | -                     | -                     |
| Others if any   | -                     | -                     | -                     | -                     |
| Total Additional Tier-1 Capital Available   | -                     | -                     | -                     | -                     |
| Maximum Limit of Additional Tier-1 Capital (AT-1 capital can be maximum up to 1.5% of the total RWA or 33.33% of CET1, whichever is higher)     | -                     | -                     | -                     | -                     |
| Excess Amount over Maximum Limit of AT-1  | -                     | -                     | -                     | -                     |
| <b>Subtotal</b>   | -                     | -                     | -                     | -                     |
| <b>Total Admissible Additional Tier-1 Capital</b>   | <b>36,294,452,551</b> | <b>23,881,559,275</b> | <b>28,779,980,403</b> | <b>23,534,117,550</b> |
| <b>Tier-2 Capital (Going Concern Capital)</b>   |                       |                       |                       |                       |
| General Provision   | 3,088,006,309         | 2,961,721,655         | 3,088,006,309         | 2,961,721,655         |
| All Other preference shares   | -                     | -                     | -                     | -                     |
| Subordinated debt/Instruments issued by the banks that meet the qualifying criteria for Tier 2 capital (as per Annex 4 of Basel III Guidelines) | -                     | -                     | -                     | -                     |
| Minority Interest i.e. Tier-2 issued by consolidated subsidiaries to third parties (for consolidated reporting only)                            | -                     | -                     | -                     | -                     |
| Head Office (HO) borrowings in foreign currency received that meet the criteria of Tier 2 debt capital (Applicable for Foreign Banks)           | -                     | -                     | -                     | -                     |
| Revaluation Reserves as on 31 December, 2014 (50% of Fixed Assets and Securities & 10% of Equities)   | 346,502,408           | 346,502,408           | 346,502,408           | 346,502,408           |
| Others (if any item approved by Bangladesh Bank)  | -                     | -                     | -                     | -                     |
| <b>Sub-total</b>  | <b>3,434,508,717</b>  | <b>3,308,224,063</b>  | <b>3,434,508,717</b>  | <b>3,308,224,063</b>  |
| <b>Regulatory Adjustments</b>   |                       |                       |                       |                       |
| Revaluation Reserves for Fixed Assets, Securities & Equity Securities (follow Phase-in deductions as per Basel III Guidelines)                  | 277,201,926           | 207,901,445           | 277,201,926           | 207,901,445           |
| Investment in own T-2 Instruments/Shares (as per Para 3.4.7 of Basel III Guidelines)  | -                     | -                     | -                     | -                     |
| Reciprocal crossholdings in the T-2 Capital of Banking, Financial and Insurance Entities  | -                     | -                     | -                     | -                     |
| Any investment exceeding the approved limit under section 26 ka(1) of Bank Company Act, 1991 (50% of Investment)                                | -                     | -                     | -                     | -                     |
| Investments in subsidiaries which are not consolidated (50% of Investment)  | -                     | -                     | -                     | -                     |
| Others if any   | -                     | -                     | -                     | -                     |
| Total Tier-2 Capital Available  | 3,157,306,791         | 3,100,322,618         | 3,157,306,791         | 3,100,322,618         |
| Maximum Limit of Tier-2 Capital (Tier 2 capital can be maximum up to 4.0% of the total RWA or 88.89% of CET1, whichever is higher)              | 32,262,138,873        | 21,223,139,583        | 25,582,524,581        | 20,919,477,090        |
| Excess Amount over Maximum Limit of T-2   | -                     | -                     | -                     | -                     |
| <b>Total Admissible Tier-2 capital</b>  | <b>3,157,306,791</b>  | <b>3,100,322,618</b>  | <b>3,157,306,791</b>  | <b>3,100,322,618</b>  |
| <b>Total Capital</b>  | <b>39,451,759,342</b> | <b>26,981,881,893</b> | <b>31,937,287,194</b> | <b>26,634,440,168</b> |
| Total Risk Weighted Assets  | 251,233,141,119       | 225,437,767,085       | 233,713,448,558       | 209,350,870,890       |
| Minimum Capital requirement (MCR - 11.875%, 2017: 11.25%)   | 29,833,935,508        | 25,361,748,797        | 27,753,472,016        | 23,551,972,975        |
| Surplus/ (Deficiency)   | 9,617,823,834         | 1,620,133,096         | 4,183,815,178         | 3,082,467,193         |
| <b>Capital Adequacy Ratio:</b>  |                       |                       |                       |                       |
| Common Equity Tier-1 (Against standard of minimum 6%)   | 14.45%                | 10.59%                | 12.31%                | 11.24%                |
| Total Capital to Risk-weighted Asset Ratio  | 15.70%                | 11.97%                | 13.67%                | 12.72%                |
| Minimum CRAR %  | 11.875%               | 11.25%                | 11.875%               | 11.25%                |
| Surplus/ (Deficiency) %   | 3.83%                 | 0.72%                 | 1.79%                 | 1.47%                 |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

|      | Particulars  | Note  | Consolidated         |                      | BRAC Bank Limited    |                      |
|------|--|-------|----------------------|----------------------|----------------------|----------------------|
|      |  |       | 2018                 | 2017                 | 2018                 | 2017                 |
| 19   | Statutory reserve  |       |                      |                      |                      |                      |
|      | Opening balance  |       | 4,813,606,868        | 3,470,350,332        | 4,813,606,868        | 3,470,350,332        |
|      | Transferred from profit during the year                                |       | 1,614,481,218        | 1,343,256,536        | 1,614,481,218        | 1,343,256,536        |
|      | Closing balance  |       | <u>6,428,088,086</u> | <u>4,813,606,868</u> | <u>6,428,088,086</u> | <u>4,813,606,868</u> |
| 20   | Dividend Equalization Fund   |       |                      |                      |                      |                      |
|      | Balance at the beginning of the year                                   |       | 355,218,455          | 355,218,455          | 355,218,455          | 355,218,455          |
|      |  |       | <u>355,218,455</u>   | <u>355,218,455</u>   | <u>355,218,455</u>   | <u>355,218,455</u>   |
| 21   | Revaluation Reserve  |       |                      |                      |                      |                      |
|      | Revaluation Reserve on Govt. Securities (Note - 21.1)                  |       | 5,593,264            | 23,306,557           | 5,593,264            | 23,306,557           |
|      | Assets Revaluation Reserve (Note - 21.2)                               |       | <u>478,558,600</u>   | <u>516,373,535</u>   | <u>478,558,600</u>   | <u>516,373,535</u>   |
|      |  |       | <u>484,151,864</u>   | <u>539,680,092</u>   | <u>484,151,864</u>   | <u>539,680,092</u>   |
| 21.1 | Revaluation Reserve on Govt. Securities                                |       |                      |                      |                      |                      |
|      | Balance at the beginning of the year                                   |       | 23,306,557           | 111,643,709          | 23,306,557           | 111,643,709          |
|      | Add: Addition during the year  |       | 2,670,927,262        | 263,365,372          | 2,670,927,262        | 263,365,372          |
|      | Less: Adjustment during the year                                       |       | <u>2,688,640,555</u> | <u>351,702,524</u>   | <u>2,688,640,555</u> | <u>351,702,524</u>   |
|      |  |       | <u>5,593,264</u>     | <u>23,306,557</u>    | <u>5,593,264</u>     | <u>23,306,557</u>    |
| 21.2 | Assets Revaluation Reserve (land only)                                 |       |                      |                      |                      |                      |
|      | Balance at the beginning of the year                                   |       | 516,373,535          | 516,373,535          | 516,373,535          | 516,373,535          |
|      | Add: Revaluation gain on land valuation (net)                          |       | 4,094,815            | -                    | 4,094,815            | -                    |
|      | Less: Deferred tax due to revaluation                                  |       | <u>41,909,750</u>    | <u>41,909,750</u>    | <u>41,909,750</u>    | <u>41,909,750</u>    |
|      |  |       | <u>478,558,600</u>   | <u>516,373,535</u>   | <u>478,558,600</u>   | <u>516,373,535</u>   |
| 22   | Surplus in profit and loss account                                     |       |                      |                      |                      |                      |
|      | Balance at the beginning of the year                                   |       | 7,991,713,548        | 6,222,874,273        | 7,991,713,548        | 6,222,874,273        |
|      | Add: Remeasurements gain/(loss) of defined benefits liability (assets) | 9.5.3 | 15,189,214           | -                    | 15,189,214           | -                    |
|      | Add: Retained surplus for the year                                     |       | 5,547,303,999        | 5,250,120,046        | 5,547,303,999        | 5,250,120,046        |
|      | Less: Transfer to statutory reserve                                    |       | 1,614,481,218        | 1,343,256,536        | 1,614,481,218        | 1,343,256,536        |
|      | Less: Bonus share issued   |       | 2,145,000,570        | 1,425,349,490        | 2,145,000,570        | 1,425,349,490        |
|      | Less: Cash dividend paid   |       | -                    | 712,674,745          | -                    | 712,674,745          |
|      | Less: Transfer to dividend equalization fund                           |       | -                    | -                    | -                    | -                    |
|      | Closing balance  |       | <u>9,794,724,973</u> | <u>7,991,713,548</u> | <u>9,794,724,973</u> | <u>7,991,713,548</u> |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars  | Note | Consolidated           |                        | BRAC Bank Limited |      |
|--|------|------------------------|------------------------|-------------------|------|
|  |      | 2018                   | 2017                   | 2018              | 2017 |
| <b>22.1 Surplus in profit and loss account/ Retained earnings (Consolidated)</b> |      |                        |                        |                   |      |
| <b>BRAC Bank Limited</b>   |      | 9,794,724,973          | 7,991,713,548          |                   |      |
| <b>BRAC EPL Investment Limited</b>   |      |                        |                        |                   |      |
| Opening balance  |      | (1,312,376,828)        | (783,030,715)          |                   |      |
| Add: Retained Surplus/(deficit) for the year                                     |      | (218,001,340)          | (489,104,217)          |                   |      |
| Add: Effect of change of shareholding  |      | -                      | (40,241,896)           |                   |      |
| Less: Impairment of Goodwill   |      | -                      | (150,233,905)          |                   |      |
| Sub total  |      | <b>(1,530,378,168)</b> | <b>(1,462,610,733)</b> |                   |      |
| <b>BRAC EPL Stock Brokerage Limited</b>  |      |                        |                        |                   |      |
| Opening balance  |      | 622,621,173            | 438,369,514            |                   |      |
| Add: Retained Surplus/(deficit) for the year                                     |      | 21,567,197             | 184,251,659            |                   |      |
| Less: Dividend distributed   |      | -                      | (224,508,300)          |                   |      |
| Add: Reserve for stock dividend  |      | -                      | 224,508,300            |                   |      |
| Sub total  |      | <b>644,188,370</b>     | <b>622,621,173</b>     |                   |      |
| <b>bKash Limited</b>   |      |                        |                        |                   |      |
| Opening balance  |      | 1,346,715,407          | 1,122,022,520          |                   |      |
| Add: Retained Surplus/(deficit) for the year                                     |      | 76,606,095             | 224,692,887            |                   |      |
| Add: Effect of change in preference share of bKash                               |      | 2,941,732,180          | -                      |                   |      |
| Add: Remeasurements of defined benefits liability (assets)                       |      | (8,151,005)            | -                      |                   |      |
| Less: Correction of wrongly recognised Goodwill                                  |      | (73,393,751)           | -                      |                   |      |
| Sub total  |      | <b>4,283,508,926</b>   | <b>1,346,715,407</b>   |                   |      |
| <b>BRAC SAAJAN Exchange Limited</b>  |      |                        |                        |                   |      |
| Opening balance  |      | 137,307,545            | 133,479,322            |                   |      |
| Add: Retained Surplus/(deficit) for the year                                     |      | 40,191,901             | 22,734,758             |                   |      |
| Less: Dividend distributed   |      | -                      | (5,460,123)            |                   |      |
| Add: Effect of change of shareholding  |      | -                      | (13,446,412)           |                   |      |
| Sub total  |      | <b>177,499,446</b>     | <b>137,307,545</b>     |                   |      |
| <b>BRAC IT Service Limited (bITS)</b>  |      |                        |                        |                   |      |
| Opening balance  |      | -                      | (58,377,311)           |                   |      |
| Add: Share of profit - before disposal   |      | -                      | 15,828,148             |                   |      |
| Gain/(loss) on disposal/loss of control of subsidiaries                          |      | -                      | (18,366)               |                   |      |
| Sub total  |      | -                      | <b>(42,567,529)</b>    |                   |      |
| <b>Associates</b>  |      |                        |                        |                   |      |
| Opening balance - (bITS)   |      | 14,175,591             | -                      |                   |      |
| Realized gain/(loss) - (bITS)  |      | (42,567,529)           | -                      |                   |      |
| Add: Share of profit/(loss) of equity in associate company - (bITS)              |      | 1,766,336              | 14,175,591             |                   |      |
| Opening balance - (BAMCL)  |      | (478,124)              | (635,373)              |                   |      |
| Add: Share of profit/(loss) of equity in associate company - (BAMCL)             |      | 149,364                | 157,249                |                   |      |
| Sub total  |      | <b>(26,954,362)</b>    | <b>13,697,467</b>      |                   |      |
|  |      | <b>13,342,589,185</b>  | <b>8,606,876,878</b>   |                   |      |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars   | Note     | Consolidated                    |                                      | BRAC Bank Limited     |                                     |
|---|----------|---------------------------------|--------------------------------------|-----------------------|-------------------------------------|
|   |          | 2018                            | 2017                                 | 2018                  | 2017                                |
| <b>22.1.1 Net effect of all items directly recognized in Equity</b>   |          |                                 |                                      |                       |                                     |
| Effect of change of shareholding in subsidiaries  |          | -                               | (34,077,165)                         |                       |                                     |
| Dividend distributed by BRAC SAAJAN Exchange Limited  | 22.1.1.a | 7,038,209                       | (5,460,123)                          |                       |                                     |
| Remeasurement of defined benefits liability (assets)-Gratuity   | 22.1.1.a | 2,941,732,180                   | -                                    |                       |                                     |
| Effect of change in preference share of bKash   |          | <u>2,948,770,389</u>            | <u>(39,537,288)</u>                  |                       |                                     |
| <b>22.1.1.a</b>   |          |                                 |                                      |                       |                                     |
| The above adjustment arose due to issuance of preference share of bKash at a premium namely to "Alipay Singapore E-commerce Private Limited" during the year and remeasurements of defined benefits liability (assets)- Gratuity Fund in BRAC bank and bKash. |          |                                 |                                      |                       |                                     |
| <b>22.2 Non Controlling Interest</b>  |          |                                 |                                      |                       |                                     |
| BRAC EPL Investments Limited  |          | 1,723,723                       | 2,061,513                            |                       |                                     |
| BRAC EPL Stock Brokerage Limited  |          | 104,553,596                     | 93,388,344                           |                       |                                     |
| bkash Limited   |          | 6,288,075,574                   | 1,688,927,798                        |                       |                                     |
| BRAC SAAJAN Exchange Limited  |          | <u>55,769,686</u>               | <u>45,321,622</u>                    |                       |                                     |
|   |          | <u>6,450,122,579</u>            | <u>1,829,699,277</u>                 |                       |                                     |
| <b>22.2.1 Reconciliation of Non Controlling Interest</b>  |          |                                 |                                      |                       |                                     |
|   |          | <b>BRACEPL Investments Ltd.</b> | <b>BRAC EPL Stock Brokerage Ltd.</b> | <b>bkash Limited</b>  | <b>BRAC SAAJAN Exchange Limited</b> |
| Opening balance   |          | 2,061,513                       | 93,388,344                           | 1,688,927,798         | 45,321,622                          |
| Add: Share of profit  |          | (337,790)                       | 2,396,355                            | 108,189,198           | 13,397,300                          |
| Add: Effect of change in preference share of bKash  |          | -                               | -                                    | 4,502,470,073         | -                                   |
| Add: Remeasurements of defined benefits liability (assets)  |          | -                               | -                                    | (11,511,495)          | -                                   |
| Add: Translation adjustment   |          | -                               | -                                    | -                     | (2,949,236)                         |
| Add: OCI fair value reserve -EPSL   |          | -                               | 8,768,897                            | -                     | -                                   |
|   |          | <u>1,723,723</u>                | <u>104,553,596</u>                   | <u>6,288,075,574</u>  | <u>55,769,686</u>                   |
|   |          | <u>2018</u>                     | <u>Consolidated</u>                  | <u>2018</u>           | <u>2017</u>                         |
| <b>23</b>   |          |                                 |                                      |                       |                                     |
| <b>Contingent liabilities</b>   |          |                                 |                                      |                       |                                     |
| Acceptances and endorsements  |          | 31,170,526,059                  | 21,855,158,644                       | 31,170,526,059        | 21,855,158,644                      |
| Irrevocable letters of credit   |          | 16,394,979,800                  | 22,568,919,488                       | 16,394,979,800        | 22,568,919,488                      |
| Total Letters of Credit and Acceptances and endorsements:   | 23.1     | <u>47,565,505,859</u>           | <u>44,424,078,132</u>                | <u>47,565,505,859</u> | <u>44,424,078,132</u>               |
| Guarantees Issued   | 23.2     | 10,218,069,408                  | 8,109,659,718                        | 10,218,069,408        | 8,109,659,718                       |
| Bills for collection  | 23.3     | 5,092,871,749                   | 4,015,469,603                        | 5,092,871,749         | 4,015,469,603                       |
| Other contingent liabilities  | 23.4     | 16,666,535,551                  | 11,701,210,934                       | 16,666,535,551        | 11,701,210,934                      |
|   |          | <u>79,542,982,567</u>           | <u>68,250,418,387</u>                | <u>79,542,982,567</u> | <u>68,250,418,387</u>               |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars   | Consolidated          |                       | BRAC Bank Limited     |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2018                  | 2017                  | 2018                  | 2017                  |
| <b>23.1 Irrevocable Letters of Credit including Acceptances and endorsements</b>            |                       |                       |                       |                       |
| Letter of Credit (Inland)   | 10,904,828            | 1,569,207,637         | 10,904,828            | 1,569,207,637         |
| Letter of Credit (General)  | 34,789,655,142        | 31,563,382,997        | 34,789,655,142        | 31,563,382,997        |
| Back to Back L/C  | 1,747,183,638         | 3,072,728,708         | 1,747,183,638         | 3,072,728,708         |
| Back to Back Bills  | 5,686,864,486         | 4,065,425,879         | 5,686,864,486         | 4,065,425,879         |
| Back to Back Bills (EDF)  | 5,330,897,765         | 4,153,332,911         | 5,330,897,765         | 4,153,332,911         |
| Less: Margin  | 47,565,505,859        | 44,424,078,132        | 47,565,505,859        | 44,424,078,132        |
|   | 607,438,283           | 1,029,664,286         | 607,438,283           | 1,029,664,286         |
|   | <b>46,958,067,576</b> | <b>43,394,413,846</b> | <b>46,958,067,576</b> | <b>43,394,413,846</b> |
| <b>23.2 Letter of Guarantee</b>   |                       |                       |                       |                       |
| Letter of Guarantee (Local)   | 6,771,360,516         | 8,005,739,968         | 6,771,360,516         | 8,005,739,968         |
| Letter of Guarantee (Foreign)   | 1,169,468,250         | -                     | 1,169,468,250         | -                     |
| Foreign counter Guarantee   | 2,277,240,642         | 103,919,750           | 2,277,240,642         | 103,919,750           |
|   | 10,218,069,408        | 8,109,659,718         | 10,218,069,408        | 8,109,659,718         |
| Less: Margin  | 259,342,242           | 220,624,615           | 259,342,242           | 220,624,615           |
|   | <b>9,958,727,166</b>  | <b>7,889,035,103</b>  | <b>9,958,727,166</b>  | <b>7,889,035,103</b>  |
| Balance for which the Bank is contingently liable in respect of guarantee issued favouring: |                       |                       |                       |                       |
| Directors   | -                     | -                     | -                     | -                     |
| Government  | 3,269,782,210         | 2,550,249,118         | 3,269,782,210         | 2,550,249,118         |
| Bank and other financial institution  | 868,535,900           | 592,082,225           | 868,535,900           | 592,082,225           |
| Others  | 6,079,751,298         | 4,967,328,375         | 6,079,751,298         | 4,967,328,375         |
|   | 10,218,069,408        | 8,109,659,718         | 10,218,069,408        | 8,109,659,718         |
| Less : Margin   | 259,342,242           | 220,624,615           | 259,342,242           | 220,624,615           |
|   | <b>9,958,727,166</b>  | <b>7,889,035,103</b>  | <b>9,958,727,166</b>  | <b>7,889,035,103</b>  |
| <b>23.3 Bills for collection</b>  |                       |                       |                       |                       |
| Outward local bills for collection  | 3,450,261,337         | 2,917,557,935         | 3,450,261,337         | 2,917,557,935         |
| Outward foreign bills for collection  | 1,642,610,412         | 1,097,911,668         | 1,642,610,412         | 1,097,911,668         |
| Inward local bills for collection   | -                     | -                     | -                     | -                     |
| Inward foreign bills for collection   | -                     | -                     | -                     | -                     |
|   | <b>5,092,871,749</b>  | <b>4,015,469,603</b>  | <b>5,092,871,749</b>  | <b>4,015,469,603</b>  |
| <b>23.4 Other contingent liabilities</b>  |                       |                       |                       |                       |
| Contingent liabilities - SWAP   | 8,681,397,070         | -                     | 8,681,397,070         | -                     |
| Contingent liabilities - FX deals   | 1,307,076,722         | 1,088,514,832         | 1,307,076,722         | 1,088,514,832         |
| Forward contract  | 6,678,061,759         | 10,612,696,102        | 6,678,061,759         | 10,612,696,102        |
|   | <b>16,666,535,551</b> | <b>11,701,210,934</b> | <b>16,666,535,551</b> | <b>11,701,210,934</b> |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars   | Note | Consolidated          |                       | BRAC Bank Limited     |                       |
|---|------|-----------------------|-----------------------|-----------------------|-----------------------|
|   |      | 2018                  | 2017                  | 2018                  | 2017                  |
| <b>23.5 Significant concentration wise grouping</b>                           |      |                       |                       |                       |                       |
| i) Documentary credits and short term trade related transactions              |      | 62,876,447,016        | 56,549,207,453        | 62,876,447,016        | 56,549,207,453        |
| ii) Forward asset purchased and forward deposits placed                       |      | -                     | -                     | -                     | -                     |
| iii) Undrawn formal standby facilities, credit lines and commitments to lend: |      |                       |                       |                       |                       |
| -Under one year   |      | -                     | -                     | -                     | -                     |
| -One year and over,   |      | -                     | -                     | -                     | -                     |
| iv) Spot and forward foreign exchange rate contracts                          |      | -                     | -                     | -                     | -                     |
| v) Other exchange contracts   |      | 7,985,138,481         | 11,701,210,934        | 7,985,138,481         | 11,701,210,934        |
| vi) Others  |      | 8,681,397,070         | -                     | 8,681,397,070         | -                     |
|   |      | <u>79,542,982,567</u> | <u>68,250,418,387</u> | <u>79,542,982,567</u> | <u>68,250,418,387</u> |
| <b>23.6 Suit filed by the Bank</b>  |      |                       |                       |                       |                       |
| No law suit filed by the bank against contingent liabilities.                 |      |                       |                       |                       |                       |
| <b>Section - Three: Notes To Profit and Loss Account</b>                      |      |                       |                       |                       |                       |
| <b>24 Income statement</b>  |      |                       |                       |                       |                       |
| <b>Income:</b>  |      |                       |                       |                       |                       |
| Interest, discount and similar income   | 24.1 | 28,991,496,690        | 23,065,109,354        | 26,795,653,927        | 22,495,316,844        |
| Dividend income   | 27   | 132,160,478           | 106,295,035           | 132,160,478           | 106,295,035           |
| Fees, commission and brokerage  | 24.2 | 6,533,273,718         | 6,031,807,514         | 1,880,127,204         | 2,025,903,818         |
| Gains less losses arising from dealing securities                             |      | 158,097,298           | 72,214,610            | 158,097,298           | 72,214,610            |
| Gains less losses arising from investment securities/trading shares-MF        |      | 71,834,773            | 153,712,660           | 71,834,773            | 153,712,660           |
| Gains less losses arising from dealing from foreign currencies                | 28   | 693,371,157           | 850,121,966           | 693,371,157           | 850,121,966           |
| Gain less losses arising from repo  |      | 893,361,886           | 1,251,780,856         | 893,361,886           | 1,251,780,856         |
| Income from non-banking assets  |      | -                     | -                     | -                     | -                     |
| Other operating income  | 29   | 194,608,406           | 371,289,964           | 114,597,871           | 105,028,580           |
|   |      | <u>37,668,204,406</u> | <u>31,902,331,959</u> | <u>30,739,204,594</u> | <u>27,060,374,369</u> |
| <b>Expenses:</b>  |      |                       |                       |                       |                       |
| Interest, fees and commission   |      | 11,660,482,140        | 8,200,931,514         | 11,574,281,608        | 8,350,693,368         |
| Administrative expenses   | 24.3 | 11,441,900,748        | 9,614,106,474         | 7,103,700,343         | 6,494,790,895         |
| Other operating expenses  | 38   | 4,026,750,022         | 3,702,838,829         | 2,459,714,775         | 2,546,177,562         |
| Depreciation on banking assets  | 37   | 1,145,613,346         | 961,996,253           | 779,233,452           | 618,872,920           |
|   |      | <u>28,274,746,256</u> | <u>22,479,873,070</u> | <u>21,916,930,178</u> | <u>18,010,534,745</u> |
| <b>Operating Profit</b>   |      | <u>9,393,458,150</u>  | <u>9,422,458,889</u>  | <u>8,822,274,416</u>  | <u>9,049,839,624</u>  |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars  | Note | Consolidated          |                       | BRAC Bank Limited     |                       |
|--|------|-----------------------|-----------------------|-----------------------|-----------------------|
|  |      | 2018                  | 2017                  | 2018                  | 2017                  |
| <b>24.1</b>  |      |                       |                       |                       |                       |
| Interest, discount and similar income                |      |                       |                       |                       |                       |
| Interest on loans and advances                       |      | 24,208,272,046        | 19,940,771,591        | 24,114,763,816        | 19,766,007,324        |
| Interest on money at call and short notice           |      | 4,991,704             | 63,555                | 4,991,704             | 63,555                |
| Interest on balance with other banks                 |      | 14,806,877            | 381,805,592           | 14,693,760            | 12,455,800            |
| Interest on Funding SWAP                             |      | 56,666,795            | -                     | 56,666,795            | -                     |
| Interest on treasury bills and bonds                 |      | 1,274,835,361         | 1,614,973,370         | 1,274,835,361         | 1,614,973,370         |
| Interest on fixed deposits with other banks          |      | 3,179,229,517         | 1,411,772,240         | 898,888,976           | 719,805,110           |
| Interest Income on reverse REPO                      |      | 111,350,842           | 13,291,598            | 111,350,842           | 13,291,598            |
| Interest on subordinate bond                         |      | 300,087,335           | 347,447,804           | 300,087,335           | 347,447,804           |
| Interest on Zero Coupon Bond                         |      | 19,375,338            | 17,432,005            | 19,375,338            | 17,432,005            |
| Interest on commercial paper                         |      | -                     | 3,840,278             | -                     | 3,840,278             |
| Investment income of subsidiaries                    |      | (178,119,125)         | (666,288,679)         | -                     | -                     |
|  |      | <b>28,991,496,690</b> | <b>23,065,109,354</b> | <b>26,795,653,927</b> | <b>22,495,316,844</b> |
| <b>24.2</b>  |      |                       |                       |                       |                       |
| Fees, commission and brokerage                       |      |                       |                       |                       |                       |
| Fees   |      | 1,445,229,544         | 1,578,025,613         | 1,445,229,544         | 1,578,025,613         |
| Commission   |      | 5,088,044,174         | 4,453,781,901         | 434,897,660           | 447,878,205           |
|  |      | <b>6,533,273,718</b>  | <b>6,031,807,514</b>  | <b>1,880,127,204</b>  | <b>2,025,903,818</b>  |
| <b>24.3</b>  |      |                       |                       |                       |                       |
| Administrative expenses                              |      |                       |                       |                       |                       |
| Salaries and allowances                              |      | 6,436,945,569         | 5,865,172,038         | 4,681,288,758         | 4,346,525,111         |
| Rent, taxes, insurance, electricity etc.             |      | 1,532,970,820         | 1,424,790,306         | 1,408,720,244         | 1,311,823,891         |
| Legal expenses                                       |      | 76,193,857            | 45,674,049            | 55,210,529            | 41,762,353            |
| Postage, stamps, telecommunication etc.              |      | 321,719,919           | 300,037,460           | 272,339,766           | 249,590,090           |
| Stationery, printing, advertisement etc.             |      | 2,169,679,696         | 1,392,850,352         | 292,462,722           | 303,641,768           |
| Chief Executive's salary and fees                    |      | 13,971,499            | 13,309,000            | 13,971,499            | 13,309,000            |
| Directors' fees and expenses                         |      | 3,009,464             | 3,311,536             | 1,297,200             | 1,356,680             |
| Auditors' fee  |      | 6,305,738             | 5,251,088             | 1,644,500             | 1,469,703             |
| Repairs and maintenance of fixed assets              |      | 881,104,186           | 563,710,645           | 376,765,125           | 225,312,299           |
|  |      | <b>11,441,900,748</b> | <b>9,614,106,474</b>  | <b>7,103,700,343</b>  | <b>6,494,790,895</b>  |
| <b>25</b>  |      |                       |                       |                       |                       |
| Interest income                                      |      |                       |                       |                       |                       |
| Retail   |      | 3,802,109,995         | 3,617,206,464         | 3,802,109,995         | 3,617,206,464         |
| Corporate  |      | 7,650,440,962         | 5,668,465,619         | 7,650,440,962         | 5,668,465,619         |
| SME  |      | 11,867,307,588        | 9,622,213,920         | 11,867,307,588        | 9,622,213,920         |
| Lease Finance  |      | 138,527,781           | 57,059,877            | 138,527,781           | 57,059,877            |
| Credit Cards   |      | 622,479,234           | 769,248,351           | 622,479,234           | 769,248,351           |
| Staff  |      | 33,898,256            | 31,813,093            | 33,898,256            | 31,813,093            |
| Margin loan  |      | 93,508,230            | 174,764,267           | -                     | -                     |
| Interest on loans and advances                       |      | <b>24,208,272,046</b> | <b>19,940,771,591</b> | <b>24,114,763,816</b> | <b>19,766,007,324</b> |
| Interest on money at call and short notice           |      | 4,991,704             | 63,555                | 4,991,704             | 63,555                |
| Interest on balance with other banks                 |      | 14,806,877            | 381,805,592           | 14,693,760            | 12,455,800            |
| Interest on Funding SWAP                             |      | 56,666,795            | -                     | 56,666,795            | -                     |
| Interest on fixed deposits with other banks          |      | 3,677,651,801         | 2,083,471,323         | 1,195,921,320         | 1,042,552,611         |
| Less: Elimination of inter unit/company transactions |      | 27,962,389,223        | 22,406,112,061        | 25,387,037,395        | 20,821,079,290        |
|  |      | <b>498,422,284</b>    | <b>671,699,083</b>    | <b>297,032,344</b>    | <b>322,747,501</b>    |
|  |      | <b>27,463,966,939</b> | <b>21,734,412,978</b> | <b>25,090,005,051</b> | <b>20,498,331,789</b> |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars  | Note | Consolidated          |                      | BRAC Bank Limited     |                      |
|--|------|-----------------------|----------------------|-----------------------|----------------------|
|  |      | 2018                  | 2017                 | 2018                  | 2017                 |
| <b>26</b>  |      |                       |                      |                       |                      |
| Interest paid on deposits and borrowings etc.        |      |                       |                      |                       |                      |
| <b>A. Interest paid on deposits:</b>                 |      |                       |                      |                       |                      |
| Current account                                      |      | 1,038,682,033         | 891,858,119          | 888,614,808           | 783,762,637          |
| Short term deposit                                   |      | 219,665,905           | 291,703,404          | 219,665,906           | 291,703,404          |
| Savings deposit                                      |      | 615,803,860           | 622,917,186          | 615,803,860           | 622,917,186          |
| Term deposit   |      | 8,633,540,886         | 5,139,185,979        | 8,633,540,886         | 5,139,185,979        |
|  |      | <u>10,507,692,684</u> | <u>6,945,664,688</u> | <u>10,357,625,460</u> | <u>6,837,569,206</u> |
| <b>B. Interest paid for borrowings:</b>              |      |                       |                      |                       |                      |
| Interest on money at call and short notice           |      | 102,466,237           | 180,788,632          | 102,466,237           | 180,788,632          |
| Interest on borrowings from banks and FIs            |      | 1,379,660,766         | 1,207,305,529        | 1,242,137,518         | 1,116,211,283        |
| Interest on funding SWAP                             |      | 70,536,708            |                      | 70,536,708            |                      |
| Bangladesh Bank-refinance                            |      | 74,676,537            | 105,558,207          | 74,676,537            | 105,558,207          |
| Interest on Repurchase agreement (REPO)              |      | 7,683,724             | 68,561,439           | 7,683,724             | 68,561,439           |
| Interest on BBL Bond                                 |      | 16,187,768            | 364,752,102          | 16,187,768            | 364,752,102          |
|  |      | <u>1,651,211,740</u>  | <u>1,926,965,909</u> | <u>1,513,688,492</u>  | <u>1,835,871,663</u> |
|  |      | <u>12,158,904,424</u> | <u>8,872,630,597</u> | <u>11,871,313,952</u> | <u>8,673,440,869</u> |
|  |      | <u>498,422,284</u>    | <u>671,699,083</u>   | <u>297,032,344</u>    | <u>322,747,501</u>   |
|  |      | <u>11,660,482,140</u> | <u>8,200,931,514</u> | <u>11,574,281,608</u> | <u>8,350,693,368</u> |
| Less: Elimination of inter unit/company transactions |      |                       |                      |                       |                      |
| <b>27</b>  |      |                       |                      |                       |                      |
| <b>Investment income</b>                             |      |                       |                      |                       |                      |
| Interest on treasury bills and bonds                 |      | 1,274,835,361         | 1,614,973,370        | 1,274,835,361         | 1,614,973,370        |
| Gain on dealing of securities - HFT Instruments      |      | 158,097,298           | 72,214,610           | 158,097,298           | 72,214,610           |
| Reclassification gain on T-Bond                      |      | 10,519,456            | -                    | 10,519,456            | -                    |
| Interest Income on reverse REPO                      |      | 111,350,842           | 13,291,598           | 111,350,842           | 13,291,598           |
| Gain on REPO and reverse REPO                        |      | 882,842,430           | 1,251,780,856        | 882,842,430           | 1,251,780,856        |
| Dividend on preference shares                        |      | 2,804,794             | 4,054,795            | 2,804,794             | 4,054,795            |
| Dividend on ordinary shares                          |      | 129,355,684           | 96,780,117           | 129,355,684           | 96,780,117           |
| Dividend from subsidiary                             |      | -                     | 5,460,123            | -                     | 5,460,123            |
| Interest on subordinate bond                         |      | 300,087,335           | 347,447,804          | 300,087,335           | 347,447,804          |
| Interest on Zero Coupon Bond                         |      | 19,375,338            | 17,432,005           | 19,375,338            | 17,432,005           |
| Interest on commercial paper                         |      | -                     | 3,840,278            | -                     | 3,840,278            |
| Gain on trading shares-MF (Realized)                 |      | 71,834,773            | 153,712,660          | 71,834,773            | 153,712,660          |
| Investment income of subsidiaries                    |      | (178,119,125)         | (666,288,679)        | -                     | -                    |
|  |      | <u>2,782,984,186</u>  | <u>2,914,699,537</u> | <u>2,961,103,311</u>  | <u>3,580,988,216</u> |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars  | Note | Consolidated         |                      | BRAC Bank Limited    |                      |
|--|------|----------------------|----------------------|----------------------|----------------------|
|  |      | 2018                 | 2017                 | 2018                 | 2017                 |
| <b>28</b>  |      |                      |                      |                      |                      |
| <b>Commission, exchange and brokerage</b>                      |      |                      |                      |                      |                      |
| Commission from sale of sanchaya patra                         |      | 25,540,520           | 51,582,014           | 25,540,520           | 51,582,014           |
| Commission from issue of payment orders, DD and TT             |      | 13,442,901           | 15,908,940           | 13,442,901           | 15,908,940           |
| Commission from issue of letter of guarantee                   |      | 86,606,792           | 48,018,027           | 86,606,792           | 48,018,027           |
| Commission from issue of letters of credit (Import and Export) |      | 326,583,209          | 330,506,942          | 326,583,209          | 330,506,942          |
| Commission on Travellers Cheques                               |      | -                    | 4,247                | -                    | 4,247                |
| Other commission   |      | 2,724,238            | 1,858,035            | 2,724,238            | 1,858,035            |
| Gain or (Loss) on Foreign currency dealings                    |      | 693,371,157          | 850,121,966          | 693,371,157          | 850,121,966          |
| Loan processing fees   |      | 103,862,738          | 187,255,549          | 103,862,738          | 187,255,549          |
| Account activity fees  |      | 283,332,335          | 328,626,973          | 283,332,335          | 328,626,973          |
| Import and export related fees                                 |      | 114,588,559          | 133,478,834          | 114,588,559          | 133,478,834          |
| Fees and Commission-Cards                                      |      | 566,708,508          | 513,588,269          | 566,708,508          | 513,588,269          |
| Relationship Fees  |      | 7,404,295            | 7,769,470            | 7,404,295            | 7,769,470            |
| Loan Early Settlement Fees                                     |      | 86,828,342           | 113,729,063          | 86,828,342           | 113,729,063          |
| Service Charges for ATM Card                                   |      | 174,297,695          | 179,022,778          | 174,297,695          | 179,022,778          |
| Fund Collection/ Transfer Fees                                 |      | 76,630               | 106,560              | 76,630               | 106,560              |
| Student Service Center Fees                                    |      | 3,409,500            | 1,826,000            | 3,409,500            | 1,826,000            |
| Cancellation fees  |      | 43,200               | 72,800               | 43,200               | 72,800               |
| Cheque collection fees   |      | 264,400              | 312,400              | 264,400              | 312,400              |
| Trade Finance Charges  |      | -                    | 5,952,080            | -                    | 5,952,080            |
| Custodian fees   |      | 16,606,736           | 14,432,039           | 16,606,736           | 14,432,039           |
| Other fees   | 28.1 | 87,806,606           | 91,852,798           | 87,806,606           | 91,852,798           |
| Commission and brokerage income of subsidiaries                |      | 4,657,615,613        | 4,041,576,532        | -                    | -                    |
| Less: Elimination of inter unit/company transactions           |      | 7,231,113,974        | 6,917,602,316        | 2,573,498,361        | 2,876,025,784        |
| <b>Total Fees, commission and charges</b>                      |      | <b>7,226,644,875</b> | <b>6,881,929,480</b> | <b>2,573,498,361</b> | <b>2,876,025,784</b> |
| <b>28.1</b>  |      |                      |                      |                      |                      |
| <b>Other fees</b>  |      |                      |                      |                      |                      |
| Passport Endorsement Fees                                      |      | 660,800              | 776,067              | 660,800              | 776,067              |
| Locker fees  |      | 4,739,675            | 5,543,460            | 4,739,675            | 5,543,460            |
| Service fees - ATM   |      | 602,051              | 354,459              | 602,051              | 354,459              |
| Service fees - BIT   |      | 1,325,681            | 1,503,395            | 1,325,681            | 1,503,395            |
| Service fees - bKash   |      | 1,137,503            | 7,814,512            | 1,137,503            | 7,814,512            |
| Annual Membership Fees-Premium Banking                         |      | 88,500               | 70,800               | 88,500               | 70,800               |
| Membership Fees-ELDORADO                                       |      | 258,262              | -                    | 258,262              | -                    |
| Annual Fees-SMS Banking  |      | 44,118,785           | 70,023,379           | 44,118,785           | 70,023,379           |
| Annual Fees-Internet Banking                                   |      | 89,000               | 198,100              | 89,000               | 198,100              |
| Syndication Fees   |      | 23,774,958           | 5,548,052            | 23,774,958           | 5,548,052            |
| E-commerce acquiring fees                                      |      | 11,011,391           | -                    | 11,011,391           | -                    |
| Omnibus settlement fees  |      | -                    | 20,574               | -                    | 20,574               |
|  |      | <b>87,806,606</b>    | <b>91,852,798</b>    | <b>87,806,606</b>    | <b>91,852,798</b>    |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

|    | Particulars   | Note | Consolidated  |               | BRAC Bank Limited |               |
|----|---|------|---------------|---------------|-------------------|---------------|
|    |   |      | 2018          | 2017          | 2018              | 2017          |
| 29 | Other operating income  |      |               |               |                   |               |
|    | Profit on sale of fixed assets  |      | 8,770,943     | 28,455,969    | 8,770,943         | 28,455,969    |
|    | Profit share from other bank  |      | 71,663,438    | 41,713,256    | 71,663,438        | 41,713,256    |
|    | Loan penal interest   |      | 22,074,265    | 12,430,490    | 22,074,265        | 12,430,490    |
|    | Miscellaneous income  |      | 12,089,225    | 22,428,865    | 12,089,225        | 22,428,865    |
|    | Other operating income of subsidiaries  |      | 80,010,535    | 344,625,609   | -                 | -             |
|    |   |      | 194,608,406   | 449,654,189   | 114,597,871       | 105,028,580   |
|    | Less: Elimination of inter unit/company transactions  |      | -             | 78,364,225    | -                 | -             |
|    |   |      | 194,608,406   | 371,289,964   | 114,597,871       | 105,028,580   |
| 30 | Salaries and allowances   |      |               |               |                   |               |
|    | As per IAS 19 Employee Benefits, the value of defined benefit obligation and plan assets/gratuity fund is to be recorded in the financial statements of the Bank irrespective of the funded status of the same. As such the Bank recognized the closing balance of defined benefit obligation and plan assets as per Actuarial Valuation Report for the year ended 31 December 2018 in the balance sheet of the Bank from the current year (note - 9.5). However the opening balance of net assets amounting BDT 87,940,084 against obligation has been directly recognized in the profit and loss account of the Bank in current year and adjusted with salary and allowances. In addition, the amount of net interest cost and current service cost as per the Actuarial Valuation Report has been duly recognized in the profit and loss account of the Bank. Actuarial gain or losses as per the report also recognized directly in equity subject to any impact of deferred tax. |      |               |               |                   |               |
| 31 | Rent, taxes, insurance, electricity, etc.   |      |               |               |                   |               |
|    | Rent, rates and taxes   |      | 1,088,110,679 | 1,048,687,343 | 1,040,003,325     | 990,637,472   |
|    | Insurance   |      | 175,042,728   | 139,127,174   | 137,030,101       | 114,731,258   |
|    | Power and electricity   |      | 253,515,415   | 221,149,303   | 215,559,317       | 190,628,676   |
|    | WASA and sewerage   |      | 16,301,998    | 15,826,486    | 16,127,501        | 15,826,485    |
|    |   |      | 1,532,970,820 | 1,424,790,306 | 1,408,720,244     | 1,311,823,891 |
| 32 | Postage, stamp, telecommunication, etc.   |      |               |               |                   |               |
|    | Postage and courier   |      | 66,684,021    | 63,602,605    | 53,278,434        | 48,819,183    |
|    | Telegram, telex, fax and network  |      | 135,880,651   | 128,437,039   | 99,906,085        | 92,773,091    |
|    | Court fees and stamps   |      | 42,178,534    | 35,656,324    | 42,178,534        | 35,656,324    |
|    | Telephone   |      | 76,976,713    | 72,341,492    | 76,976,713        | 72,341,492    |
|    |   |      | 321,719,919   | 300,037,460   | 272,339,766       | 249,590,090   |
| 33 | Stationery, printing, advertisements, etc.  |      |               |               |                   |               |
|    | Stationery and Printing   |      | 139,738,195   | 148,301,368   | 126,860,738       | 134,705,502   |
|    | Security Stationery   |      | 52,113,432    | 46,750,771    | 52,113,432        | 46,750,771    |
|    | Advertisement   |      | 1,977,828,069 | 1,197,798,213 | 113,488,552       | 122,185,495   |
|    |   |      | 2,169,679,696 | 1,392,850,352 | 292,462,722       | 303,641,768   |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars  | Note | Consolidated         |                      | BRAC Bank Limited    |                    |
|--|------|----------------------|----------------------|----------------------|--------------------|
|  |      | 2018                 | 2017                 | 2018                 | 2017               |
| <b>34 Chief Executive's salary and allowances (Bank only)</b>  |      |                      |                      |                      |                    |
| Basic salary   |      | 9,775,600            | 9,288,000            | 9,775,600            | 9,288,000          |
| Bonus and others   | 34.1 | 3,709,000            | 3,709,000            | 3,709,000            | 3,709,000          |
| House rent allowance   |      | 476,666              | 300,000              | 476,666              | 300,000            |
| Medical allowance  |      | 10,233               | 12,000               | 10,233               | 12,000             |
|  |      | <u>13,971,499</u>    | <u>13,309,000</u>    | <u>13,971,499</u>    | <u>13,309,000</u>  |
| <b>34.1 Bonus and others</b>   |      |                      |                      |                      |                    |
| Festival Bonus   |      | 1,548,000            | 1,548,000            | 1,548,000            | 1,548,000          |
| Performance Bonus  |      | 1,000,000            | 1,000,000            | 1,000,000            | 1,000,000          |
| Leave Fair Assistance  |      | 1,161,000            | 1,161,000            | 1,161,000            | 1,161,000          |
|  |      | <u>3,709,000</u>     | <u>3,709,000</u>     | <u>3,709,000</u>     | <u>3,709,000</u>   |
| <b>35 Directors' fees</b>  |      |                      |                      |                      |                    |
| Directors' fees represent fees paid for attending board meeting, board audit committee meeting and risk management committee meeting @ Tk. 8,000 from January to December 2018 per director per meeting. |      |                      |                      |                      |                    |
| Breakup of Directors fees and expenses are given below:  |      |                      |                      |                      |                    |
| Meeting attendance fees  |      | 3,009,464            | 3,311,536            | 1,297,200            | 1,356,680          |
|  |      | <u>3,009,464</u>     | <u>3,311,536</u>     | <u>1,297,200</u>     | <u>1,356,680</u>   |
| <b>36 Auditor's fees</b>   |      |                      |                      |                      |                    |
| Statutory and Nostro account audit fees for the year   |      | 6,305,738            | 5,251,088            | 1,644,500            | 1,469,703          |
|  |      | <u>6,305,738</u>     | <u>5,251,088</u>     | <u>1,644,500</u>     | <u>1,469,703</u>   |
| <b>37 Depreciation and repair of the Bank's assets</b>   |      |                      |                      |                      |                    |
| <b>Depreciation of Property plant and equipment</b>  |      |                      |                      |                      |                    |
| Furniture and fixtures   |      | 208,899,211          | 257,027,054          | 189,561,833          | 184,359,934        |
| Leasehold building   |      | 624,406              | 657,928              | 100,858              | 100,858            |
| Office equipment   |      | 151,461,645          | 138,873,297          | 134,961,746          | 123,797,081        |
| IT hardware  |      | 426,500,918          | 342,873,088          | 280,025,879          | 230,490,189        |
| Motor vehicles   |      | 77,703,919           | 43,924,963           | 58,322,532           | 28,915,094         |
| Leasehold improvement  |      | 20,086,356           | 16,980,163           | -                    | -                  |
| IT software  |      | 260,336,891          | 161,659,760          | 116,260,604          | 51,209,764         |
|  |      | <u>1,145,613,346</u> | <u>961,996,253</u>   | <u>779,233,452</u>   | <u>618,872,920</u> |
| <b>Repairs and Maintenance expenses</b>  |      |                      |                      |                      |                    |
| Transportation cost  |      | 323,844,293          | 297,766,050          | 240,180,355          | 214,815,439        |
| Equipment repairing  |      | 64,710,385           | 69,631,816           | 29,937,736           | 36,185,607         |
| Hardware and Software Maintenance  |      | 436,320,581          | 133,563,002          | 55,979,119           | (78,934,364)       |
| Premises Maintenance   |      | 56,228,927           | 62,749,777           | 50,667,915           | 53,245,617         |
|  |      | <u>881,104,186</u>   | <u>563,710,645</u>   | <u>376,765,125</u>   | <u>225,312,299</u> |
| <b>Total</b>   |      | <u>2,026,717,532</u> | <u>1,525,706,898</u> | <u>1,155,998,577</u> | <u>844,185,219</u> |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Particulars  | Note | Consolidated         |                      | BRAC Bank Limited    |                      |
|--|------|----------------------|----------------------|----------------------|----------------------|
|  |      | 2018                 | 2017                 | 2018                 | 2017                 |
| <b>38 Other expenses</b>                               |      |                      |                      |                      |                      |
| Conveyance expense                                     |      | 131,672,290          | 112,827,702          | 131,672,290          | 112,827,702          |
| Fuel expenses  |      | 26,762,095           | 22,949,020           | 26,762,095           | 22,949,020           |
| Traveling cost   |      | 81,444,848           | 78,112,145           | 81,444,848           | 78,112,145           |
| Professional fees                                      |      | 84,025,139           | 72,155,470           | 84,025,139           | 72,155,470           |
| Entertainment  |      | 80,902,083           | 88,812,874           | 80,902,083           | 88,812,874           |
| SWIFT cost   |      | 8,282,768            | 2,786,619            | 8,282,768            | 2,786,619            |
| Business promotion and development                     |      | 135,880,724          | 116,138,124          | 135,880,724          | 116,138,124          |
| Books, news papers and periodicals                     |      | 2,169,946            | 2,100,118            | 2,169,946            | 2,100,118            |
| Donation and subscription                              |      | 140,949,071          | 185,343,993          | 140,949,071          | 185,343,993          |
| Sponsorship  |      | 69,588,991           | 73,966,944           | 69,588,991           | 73,966,944           |
| Government Levy, VAT and excise duty                   |      | 31,525,051           | 9,238,977            | 31,525,051           | 9,238,977            |
| Other operational loss                                 |      | 3,196,968            | 10,263,725           | 3,196,968            | 10,263,725           |
| Staff training and development                         |      | 66,931,177           | 80,827,485           | 66,931,177           | 80,827,485           |
| Staff liveries   |      | 3,390,157            | 3,598,500            | 3,390,157            | 3,598,500            |
| Staff recruitment                                      |      | 2,295,346            | 2,673,896            | 2,295,346            | 2,673,896            |
| Salaries and allowance -outsourcing staff              |      | 312,935,563          | 381,103,946          | 312,935,563          | 381,103,946          |
| Staff sales incentives                                 |      | 387,447,260          | 405,948,670          | 387,447,260          | 405,948,670          |
| Bank charges   |      | 28,131,968           | 21,049,967           | 28,131,968           | 21,049,967           |
| Crockeries   |      | 1,762,818            | 3,255,898            | 1,762,818            | 3,255,898            |
| Documentation Charges - CIB                            |      | 15,737,570           | 9,448,412            | 15,737,570           | 9,448,412            |
| IT enabled services                                    |      | 366,124,993          | 344,724,853          | 366,124,993          | 344,724,853          |
| AGM expenses   |      | 4,500,000            | 3,600,000            | 4,500,000            | 3,600,000            |
| Bond issue expenses                                    |      | 1,550,456            | 2,512,297            | 1,550,456            | 2,512,297            |
| Security guard cost                                    |      | 288,539,323          | 316,990,762          | 288,539,323          | 316,990,762          |
| Commission paid- Vendor                                |      | 3,616,908            | 4,248,231            | 3,616,908            | 4,248,231            |
| Cash carrying charges                                  |      | 103,700,912          | 100,337,243          | 103,700,912          | 100,337,243          |
| Spare parts expense                                    |      | 63,691,614           | 65,624,712           | 63,691,614           | 65,624,712           |
| Archiving expense                                      |      | 27,400,673           | 20,985,981           | 27,400,673           | 20,985,981           |
| Commission expense for Agent                           |      | 1,003,568            | -                    | 1,003,568            | -                    |
| Miscellaneous  |      | 4,554,495            | 4,550,998            | 4,554,495            | 4,550,998            |
| Impairment of goodwill                                 | 38.1 | (76,840,154)         | 30,046,781           | -                    | -                    |
| Other expenses of subsidiaries                         | 38.2 | 1,648,344,500        | 1,240,651,547        | -                    | -                    |
|  |      | <u>4,031,219,121</u> | <u>3,816,875,890</u> | <u>2,459,714,775</u> | <u>2,546,177,562</u> |
| Less: Elimination of inter unit/company transactions   |      | <u>4,026,750,022</u> | <u>3,702,838,829</u> | <u>2,459,714,775</u> | <u>2,546,177,562</u> |
| <b>38.1 Impairment of goodwill</b>                     |      |                      |                      |                      |                      |
| Reversal of goodwill-bKash Limited                     |      | 73,393,751           | -                    | -                    | -                    |
| Impairment expense (Correction of goodwill impairment) | 11   | (150,233,905)        | 30,046,781           | -                    | -                    |
|  |      | <u>(76,840,154)</u>  | <u>30,046,781</u>    | -                    | -                    |

The Bank recognized impairment expenses on goodwill till last year though as per impairment testing carried out in respective years there was no impairment. In current year all such previously recognized impairment has been reversed as correction of errors.





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

|      | Particulars  | Note | Consolidated         |                      | BRAC Bank Limited    |
|------|--|------|----------------------|----------------------|----------------------|
|      |  |      | 2018                 | 2017                 | 2018                 |
| 38.2 | Other expenses of subsidiaries   |      |                      |                      |                      |
|      | BRAC EPL Investments Limited   |      | 12,470,514           | 53,688,286           |                      |
|      | BRAC EPL Stock Brokerage Limited   |      | 184,192,337          | 190,759,380          |                      |
|      | bKash Limited  |      | 908,307,728          | 606,384,354          |                      |
|      | BRAC SAAJAN Exchange Limited   |      | 543,373,921          | 368,959,620          |                      |
|      | BRAC IT Services Limited   |      | -                    | 20,859,907           |                      |
|      |  |      | <u>1,648,344,500</u> | <u>1,240,651,547</u> |                      |
| 39   | Share of profit of associates  |      |                      |                      |                      |
|      | BRAC IT Services Limited   |      | 1,766,336            | 14,175,591           |                      |
|      | BRAC Asset Management Company Limited                                    |      | 149,364              | 157,249              |                      |
|      |  |      | <u>1,915,700</u>     | <u>14,332,840</u>    |                      |
| 40   | Provisions   |      |                      |                      |                      |
|      | Provision for loans and advances   |      |                      |                      |                      |
|      | Specific provision charged during the year                               |      | 1,304,870,528        | 1,797,247,740        | 1,304,870,528        |
|      | Recovery of written off bad debts  |      | (783,059,719)        | (1,039,185,296)      | (783,059,719)        |
|      | Specific provision (net off recovery) for the year*                      |      | 521,810,809          | 758,062,444          | 521,810,809          |
|      | General provision charged during the year                                |      | 161,934,329          | 234,720,281          | 161,934,329          |
|      | Total provision for loans and advances                                   |      | <u>683,745,138</u>   | <u>992,782,725</u>   | <u>683,745,138</u>   |
|      | Diminution in value of Investments                                       |      | 116,400,000          | (72,224,112)         | 116,400,000          |
|      | Off Balance Sheet Items  |      | (37,000,000)         | 131,315,329          | (37,000,000)         |
|      | Other provisions:  |      |                      |                      |                      |
|      | Other assets   |      | (10,762,161)         | 100,448,106          | (13,276,810)         |
|      | Interest receivable from loan  |      | -                    | 42,888               | -                    |
|      |  |      | <u>752,382,977</u>   | <u>1,152,364,936</u> | <u>749,868,328</u>   |
|      |  |      |                      |                      | <u>1,152,364,936</u> |
| 41   | Provision for Taxation   |      |                      |                      |                      |
|      | The charge for taxation is based upon the profit for the year comprises: |      |                      |                      |                      |
|      | Current tax on taxable income  |      | 2,994,171,667        | 3,570,883,968        | 2,523,031,538        |
|      | Deferred tax expense/ (income) (Net)                                     |      | (21,249,563)         | (784,891,580)        | 2,070,551            |
|      | Total provision for Taxation   |      | <u>2,972,922,104</u> | <u>2,785,992,388</u> | <u>2,525,102,089</u> |
|      |  |      |                      |                      | <u>2,647,354,642</u> |
| 42   | Earnings Per Share   |      |                      |                      |                      |
|      | Profit after taxation  |      | 5,670,068,769        | 5,498,416,039        | 5,547,303,999        |
|      | Less: Profit attributable to Non controlling interest                    |      | 123,645,063          | 305,625,065          | -                    |
|      | Profit attributable to ordinary shareholders of BRAC Bank Limited        |      | <u>5,546,423,706</u> | <u>5,192,790,974</u> | <u>5,547,303,999</u> |
|      | Weighted average number of shares outstanding                            |      | <u>1,072,293,862</u> | <u>1,069,556,475</u> | <u>1,072,293,862</u> |
|      | Earnings Per Share (EPS)   |      | <u>5.17</u>          | <u>4.86</u>          | <u>5.17</u>          |
|      |  |      |                      |                      | <u>4.91</u>          |

Earnings Per Share (EPS) has been calculated as per IAS-33 "Earnings Per Share".

As per IAS-33 "Earnings Per Share", the calculation of diluted earning per share does not assume conversion, exercise or other issue of potential ordinary shares that would have an anti dilutive effect on earning per share. There is an antidilutive effect on earning per share of BRAC Bank convertible bond. That is why we are not considering the diluted earning per share.





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

|    | Particulars  | Note | Consolidated          |                       | BRAC Bank Limited     |                       |
|----|--|------|-----------------------|-----------------------|-----------------------|-----------------------|
|    |  |      | 2018                  | 2017                  | 2018                  | 2017                  |
|    | Section - Four : Notes to Cash Flow Statement                                  |      |                       |                       |                       |                       |
| 43 | Cash and Cash Equivalents  |      |                       |                       |                       |                       |
|    | Cash in hand (including foreign currency)                                      |      | 6,674,699,654         | 6,109,792,050         | 6,654,775,781         | 6,092,421,365         |
|    | Balance with Bangladesh Bank and its agents banks (including foreign currency) |      | 15,719,774,488        | 12,192,061,982        | 15,719,774,488        | 12,192,061,982        |
|    | Balance with other banks and financial institutions                            |      | 44,651,943,921        | 43,355,772,365        | 14,878,545,136        | 19,396,241,229        |
|    | Money at call and on short notice  |      | -                     | -                     | -                     | -                     |
|    | Prize Bond   |      | 1,097,600             | 1,945,200             | 1,097,600             | 1,945,200             |
|    |  |      | <u>67,047,515,663</u> | <u>61,659,571,597</u> | <u>37,254,193,005</u> | <u>37,682,669,776</u> |
| 44 | Receipts from other operating activities                                       |      |                       |                       |                       |                       |
|    | Loan Penal Interest  |      | 22,074,265            | 12,430,490            | 22,074,265            | 12,430,490            |
|    | Miscellaneous Income   |      | 12,089,225            | 22,428,865            | 12,089,225            | 22,428,865            |
|    | Gain on trading shares   |      | 71,834,773            | 153,712,860           | 71,834,773            | 153,712,860           |
|    | Profit share from other banks  |      | 71,663,438            | 41,713,256            | 71,663,438            | 41,713,256            |
|    | Gain on dealing of securities - HFT Instruments                                |      | 158,097,298           | 72,214,610            | 158,097,298           | 72,214,610            |
|    | Reclassification gain on T-Bond  |      | 10,519,456            | -                     | 10,519,456            | -                     |
|    | Gain on REPO and reverse REPO  |      | 882,842,431           | 1,251,780,856         | 882,842,431           | 1,251,780,856         |
|    | Other receipts of subsidiaries   |      | 45,385,379            | 336,053,043           | -                     | -                     |
|    |  |      | <u>1,274,506,265</u>  | <u>1,890,333,780</u>  | <u>1,229,120,886</u>  | <u>1,554,280,737</u>  |
| 45 | Payment for other operating activities   |      |                       |                       |                       |                       |
|    | Rent, taxes, insurance, electricity etc.                                       |      | 1,398,195,496         | 1,297,444,361         | 1,398,195,496         | 1,297,444,361         |
|    | Audit fees   |      | 1,472,000             | 1,202,250             | 1,472,000             | 1,202,250             |
|    | Directors fees and expenses  |      | 1,297,200             | 1,356,680             | 1,297,200             | 1,356,680             |
|    | Repair and maintenance   |      | 350,643,259           | 324,306,644           | 350,643,259           | 324,306,644           |
|    | Other expenses   |      | 2,598,234,234         | 2,620,879,964         | 2,598,234,234         | 2,620,879,964         |
|    | Legal expenses   |      | 57,250,142            | 51,610,734            | 57,250,142            | 51,610,734            |
|    | Other payments of subsidiaries   |      | 334,292,109           | 447,492,473           | -                     | -                     |
|    |  |      | <u>4,741,384,440</u>  | <u>4,744,293,106</u>  | <u>4,407,092,331</u>  | <u>4,296,800,633</u>  |
| 46 | Net asset value (NAV) per share  |      |                       |                       |                       |                       |
|    | Net asset value attributable to shareholders of parent                         |      | 35,250,062,723        | 26,600,143,614        | 31,637,951,839        | 25,990,805,975        |
|    | Number of ordinary share outstanding at the end of the year                    |      | <u>1,072,500,285</u>  | <u>1,072,500,285</u>  | <u>1,072,500,285</u>  | <u>1,072,500,285</u>  |
|    |  |      | <u>32.87</u>          | <u>24.80</u>          | <u>29.50</u>          | <u>24.23</u>          |
| 47 | Net operating cash flow per share  |      |                       |                       |                       |                       |
|    | Net operating cash flow  |      | 10,474,300,099        | 21,374,361,003        | 3,823,970,589         | 11,110,346,754        |
|    | Number of ordinary share outstanding at the end of the year                    |      | <u>1,072,500,285</u>  | <u>1,072,500,285</u>  | <u>1,072,500,285</u>  | <u>1,072,500,285</u>  |
|    |  |      | <u>9.77</u>           | <u>19.93</u>          | <u>3.57</u>           | <u>10.36</u>          |





**Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)**

**Section - Five : General Disclosures**

**48 General Disclosures**

**48.1 Audit Committee**

An audit committee was constituted by the Board of Directors of BRAC Bank Limited in its 23rd meeting held on March 02, 2003. Subsequently, in the 73rd Audit Committee Meeting held on April 24, 2017 reconstituted the Audit Committee as under:

| Sl No | Name of Director                               | Status with The Bank | Status with the Committee | Educational Qualification                    |
|-------|--|----------------------|---------------------------|--|
| 01    | Dr. Ahsan H. Mansur (Independent Director)     | Director             | Chairman                  | Ph.D in Economics                            |
| 02    | Mr. Shih Narayan Kairv (Nominated by BRAC)     | Director             | Member                    | M.Com (Accounting)                           |
|       | Mr. Kazi Mahmood Sattar (Independent Director) | Director             | Member                    | M.Com (Accounting), B. Com (Honours) Finance |

During the period ended 31 December 2018, the Audit Committee of the Board conducted 08 (Eight) meeting in which among others, the following issues were discussed:

- Discussed the Enterprise Risk Management Report prepared and conducted by ERM team
- Discussed the fraud/forgeries and operational loss report
- Discussed technology incidents
- Reviewed service quality report of the Bank.
- Reviewed the ERM policy of the Bank.

**48.2 Related Party/(ies) Transactions**

i) The bank carried out transactions with related parties in the normal course of business on an arms length basis. As on 31 December 2018, the bank had following transactions with the 'Related Party/(ies)' as defined in the BRPD circulars no. 14 issued by the Bangladesh Bank on 25 June 2003.

| Sl No | Name of the Related Parties                                       | Relationship with BBL  | Nature of Transaction | Balance at the end of year |
|-------|---|--|-----------------------|----------------------------|
| 01    | BRAC and its associated organization                              | Parent Company   | Deposits made with us | 6,642,391,164              |
| 02    | BRAC EPL Investments Limited                                      | Subsidiary   | Deposits made with us | 7,976,823                  |
| 03    | BRAC EPL Stock Brokerage Limited                                  | Subsidiary   | Deposits made with us | 103,821,568                |
| 04    | bKash Limited   | Subsidiary   | Deposits made with us | 798,640,835                |
| 05    | BRAC SAAJAN Exchange Limited                                      | Subsidiary   | Deposits made with us | 210,468,125                |
| 06    | BRAC IT Services Limited (bITS)                                   | Associates   | Deposits made with us | 52,816,569                 |
| 07    | BRAC Asset Management Company Limited                             | Associates   | Deposits made with us | -                          |
| 08    | Sajida Foundation   | Common board member  | Deposits made with us | 168,740,228                |
| 09    | Industrial and Infrastructure Dev. Finance Co Limited             | Sponsor Shareholder  | Deposits made with us | 3,968,890                  |
| 10    | BRAC  | Parent Company   | Loans and Advances    | 3,594,800,655              |
| 11    | Sajida Foundation   | Common board member  | Loans and Advances    | 2,395,331,181              |
| 12    | BRAC EPL Investments Limited                                      | Subsidiary   | Loans and Advances    | 1,269,265,809              |
| 13    | BRAC SAAJAN Exchange Limited                                      | Subsidiary   | Loans and Advances    | 212,133,200                |
| 14    | Key Management Personnel (Note - 7.6)                             | Senior Management  | Loans and Advances    | 231,570,310                |
| 15    | BRAC Bank Employees' Gratuity Fund (Post employment benefit plan) | Details of transactions with BRAC Bank Employees' Gratuity Fund can be found at note no 9.5. |                       |                            |

Details of transactions with related parties can be found at annexure - K





**Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)**

ii) Name of Directors and the entities in which they have interest as on 31 December 2018:

| Sl No | Name of Director                                  | Status with The Bank | Name of the firms/companies in which they   | Educational Qualification  |
|-------|---|----------------------|---|--|
| 1     | Sir Fazle Hasan Abed<br>(Nominated by BRAC)       | Chairman             | BRAC<br>BRAC Industries Limited<br>BRAC Kodala Tea Estate<br>BRAC Kaliyacherra Tea Company Limited<br>BRAC Karnafuli Tea Company Limited<br>BRAC Foundation   | FCMA, London   |
| 2     | Mr. Shib Narayan Kairi<br>(Nominated by BRAC)     | Director             | Bangladesh Netting Factory Limited<br>BRAC EPL Investments Ltd.<br>BRAC EPL Stock Brokerage Ltd.<br>BRAC Karnafuli Tea Co. Limited<br>BRAC Kaliyacherra Tea Co. Limited<br>BRAC Kodala Tea Estate<br>BRAC University  | Master of Commerce in Accounting, University of Dhaka  |
| 3     | Ms. Nihad Kabir<br>(Nominated by BRAC)            | Director             | Kedarpur Tea Company Limited<br>Shaistaganj CNG Co. Limited<br>Sathgao Tea Estate Limited<br>BRAC EPL Investments Limited<br>BRAC EPL Stock Brokerage Ltd.<br>Palli Karmasahayak Foundation(PKSF)<br>Prottoy Feed<br>Square Pharmaceutical Limited<br>bKash Limited<br>Metropolitan Chamber of Commerce and Infrastructure Development Company Limited<br>Policy Research Institute of Bangladesh (PRI) | LL.B., LL.M., (UK)<br>(Barrister at Law)   |
| 4     | Dr. Ahsan H. Mansur<br>(Independent Director)     | Director             |   | Ph.D in Economics, University of Western Ontario, Canada, M.A. Economics, McMaster University, Canada, M.A in Economics, University of Dhaka, Bangladesh   |
| 5     | Mr. Kazi Mahmood Sattar<br>(Independent Director) | Director             | Unique Hotel and Resorts Limited<br>BRAC SAAJAN Exchange Limited<br>RSA Advisory Ltd.<br>bKash Limited  | M.Com (Accounting) B. Com (Honours) Finance University of Dhaka  |
| 6     | Mr. Kaiser Kabir<br>(Nominated by BRAC)           | Director             | Renata Limited<br>Renata Agro Industries Limited<br>Purnava Limited<br>Renata Oncology Limited<br>Bangladesh Association of Pharmaceuticals<br>Saiida Foundation  | MPhil in Economics, University of Oxford, UK, Postgraduate Diploma in Economics with Distinction, University of East Anglia, UK, Bachelor of Arts in Economics and International Relations, Claremont McKenna College, USA |
| 7     | Mr. Asif Saleh<br>(Nominated by BRAC)             | Director             | BRAC and BRAC International<br>BRAC IT Services Limited<br>BRAC Net<br>BRAC Probashbandhu Ltd.  | Masters of Business Administration, New York University, Stern School of Management  |





Notes to the financial statements as at and for the year ended 31 December 2018 (Continued)

| Sl No | Name of Director                               | Status with The Bank       | Name of the firms/companies in which they   | Educational Qualification   |
|-------|--|----------------------------|---|---|
| 8     | Ms. Fahima Choudhury<br>(Independent Director) | Director                   | Ogilvy and Mather Communications Pvt. Ltd<br>Adcomm Ltd. and Adcomm Holdings Ltd<br>Aktivision Advertising Ltd.<br>Graphic People, Nazimgarh Resorts Ltd<br>Northbrook Consultants Ltd.<br>Screaming Girl Production Ltd.<br>Signage, Software People | B.Sc. (Hons.) Management and M.Sc.<br>Management from London School of Economics<br>and Political Science, the United Kingdom |
| 9     | Mr. Selim R.F. Hussain                         | Managing Director &<br>CEO | IDFC<br>BRAC EPL Investments Ltd.<br>BRAC EPL Stock Brokerage Ltd.<br>bkash Limited<br>BRAC IT Services Limited<br>BRAC Salaan  | MBA (IBA)<br>University of Dhaka  |

iii) Significant contracts where bank is a party and wherein Directors have interest:

iv) Shares issued to Directors and executives without consideration or exercisable at discount

v) Lending Policies to related parties:

Lending to related parties is effected as per requirement of section 27(1) of the Banking Companies Act, 1991.

vi) Loan and advances to Directors:

Classification Status

vii) Business other than Banking business with any related concern of the Directors as per Section 18(2) of the Banking Companies Act, 1991.

Classification Status

viii) Investment in the Securities of Directors and their related concern:

Classification Status

Nil

Nil

Nil

114,806

Unclassified

Nil

Industrial and Infrastructure Development Finance Co. Limited  
Square Pharmaceutical Limited

48.3 Claim not Acknowledged as Debt

There was no claim against the Bank not acknowledged as debt as on 31 December 2018.

48.4 Number of Employees

The number of employees including contractual engaged for the whole year or part there of who received a total yearly remuneration of tk. 36,000 or above were 7,065 (2017: 6,335).

48.5 Approval of the financial statements

The financial statements were approved by the board of directors on 21 March 2019.

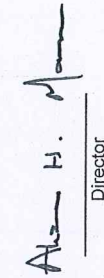
48.6 Events after the Balance Sheet Date

A. The Board of Directors in its 253rd Board meeting held on 21 March 2019 has proposed 15% stock dividend subject to the approval of the Shareholders at the next Annual General Meeting.

B. Subsequent to the Balance Sheet date, BRAC Asset Management Company Limited has been struck-off by the Registrar of Joint Stock Companies and Firms through official gazette dated 3 January 2019.

  
Managing Director and CEO

  
Director

  
Director

  
Chairman





**BRAC Bank Limited (Standalone)**  
**Highlights on the overall Activities**  
**As at 31 December 2018**

| Particulars  | Note | Amount in Taka unless otherwise specified |                 |
|--|------|---|-----------------|
|  |      | 2018                                      | 2017            |
| Paid-up capital  | 18.2 | 10,725,002,850                            | 8,552,096,940   |
| Total capital including general provisions   | 18.8 | 31,937,287,194                            | 26,634,440,168  |
| Capital surplus/(deficit)  | 18.8 | 4,183,815,178                             | 3,082,467,193   |
| Total assets   |      | 315,416,675,274                           | 279,187,119,596 |
| Total deposits   | 16   | 228,622,409,702                           | 196,224,439,257 |
| Total loans and advances   | 7    | 238,008,103,268                           | 202,559,380,746 |
| Total contingent liabilities and commitments   | 23   | 79,542,982,567                            | 68,250,418,387  |
| Income from investments  | 27   | 2,961,103,311                             | 3,580,988,216   |
| Profit after tax and provisions  |      | 5,547,303,999                             | 5,250,120,046   |
| Amount of classified loans during the current year   | 7.8  | 7,378,740,265                             | 7,220,959,891   |
| Provision kept against classified loans  |      | 5,066,669,025                             | 5,648,936,030   |
| Provisions surplus/deficit   |      | 698,282,838                               | 1,963,572,393   |
| Interest earning assets  |      | 307,272,176,086                           | 271,281,822,584 |
| Non-Interest earning assets  |      | 8,144,499,188                             | 7,905,297,012   |
| Credit deposit ratio (Loans and Advances/Deposits)*  |      | 82.78%                                    | 83.39%          |
| Percentage of classified loans against total loans and advances  |      | 3.10%                                     | 3.56%           |
| Cost of fund   |      | 6.75%                                     | 5.69%           |
| Return on Investment (ROI) [PAT/(Shareholders equity+Borrowings)]  |      | 9.00%                                     | 9.41%           |
| Return on Assets (ROA) [PAT/Average assets]  |      | 1.87%                                     | 2.02%           |
| Return on Equity (ROE) [PAT/Average shareholders equity]   |      | 19.25%                                    | 22.14%          |
| Earnings per share [previous years figure restated]  | 42   | 5.17                                      | 4.91            |
| Net income per share [(PAT-Dividend on preference share/No. of Ordinary Shares)] [previous years figure restated]                |      | 5.17                                      | 4.91            |
| Price earning ratio (Market price per share/EPS)   |      | 14.05                                     | 17.65           |
| Net Asset Value per Share (NAV) [(Shareholders equity- Preference Share)/No. of Ordinary Share] [previous years figure restated] |      | 29.50                                     | 24.23           |

\* Credit deposit ratio has been computed as per Bangladesh Bank guideline.





**BRAC Bank Limited**  
**Statement of outstanding unreconciled entries**  
**As at 31 December 2018**

Nostro Account represents outstanding transactions (net) originated but yet to be responded at the Balance Sheet date. However, the status of unresponded entries as at December 31, 2018 is given below:

| SL No | Period of Unreconciliation                  | As per Local Book |                   |                |                   | As per Correspondents' Book |                   |                |                   |
|-------|---|-------------------|-------------------|----------------|-------------------|-----------------------------|-------------------|----------------|-------------------|
|       |   | Debit Entries     |                   | Credit Entries |                   | Debit Entries               |                   | Credit Entries |                   |
|       |   | No.               | Amount            | No.            | Amount            | No.                         | Amount            | No.            | Amount            |
| 01    | Up-to 3 months                              | 1185              | 40,050,197        | 699            | 36,479,905        | 350                         | 24,228,215        | 799            | 43,106,510        |
| 02    | More than 03 months but less than 06 months | -                 | -                 | 3              | 85,633            | -                           | -                 | 42             | 120,028           |
| 03    | More than 06 months but less than 09 months | -                 | -                 | -              | -                 | -                           | -                 | 1              | 62,500            |
| 04    |   | -                 | -                 | -              | -                 | -                           | -                 | -              | -                 |
| 05    | More than 12 months                         | -                 | -                 | -              | -                 | -                           | -                 | -              | -                 |
|       | <b>Total</b>                                | <b>1185</b>       | <b>40,050,197</b> | <b>702</b>     | <b>36,565,538</b> | <b>350</b>                  | <b>24,228,215</b> | <b>842</b>     | <b>43,289,037</b> |

All unadjusted entries are subsequently adjusted on regular basis.





**BRAC Bank Limited**  
**Balance with other banks-outside Bangladesh (Nostro Account)**  
**As at 31 December 2018**

| Name of Bank                                | Currency | A/C Type | 2018                       |               | Equivalent Taka | 2017              |               | Equivalent Taka |
|---|----------|----------|----------------------------|---------------|-----------------|-------------------|---------------|-----------------|
|   |          |          | Amount in foreign currency | Exchange rate |                 | Amount in foreign | Exchange rate |                 |
| DBU balance:                                |          |          |                            |               |                 |                   |               |                 |
| Standard Chartered Bank-New York, USA       | USD      | CD       | 7,064,574.58               | 83.95         | 593,071,036     | 1,524,871.64      | 83.20         | 126,869,320     |
| Standard Chartered Bank, United Kingdom     | GBP      | CD       | 1,431,442.57               | 106.07        | 151,828,246     | 348,427           | 111.78        | 38,948,377      |
| Standard Chartered Bank, Frankfurt, Germany | EUR      | CD       | (299,852.78)               | 95.66         | (28,682,957)    | 12,691.90         | 99.33         | 1,260,718       |
|   | USD      | CD       | 3,999,797.23               | 83.95         | 335,782,977     | (9,089.10)        | 83.20         | (756,213)       |
| ICICI Bank Limited, Mumbai, India           | USD      | CD       | 114,646.48                 | 83.95         | 9,624,572       | 991,160.23        | 83.20         | 82,464,531      |
| Habib Bank Limited, Pakistan                | USD      | CD       | 242,599.74                 | 83.95         | 20,366,248      | -                 | -             | -               |
| Bank of Tokyo Mitsubishi UFJ, Ltd           | JPY      | CD       | 2,365,077.00               | 0.76          | 1,792,728       | 10,988,110.00     | 0.74          | 8,102,632       |
| Zuercher Kantonal Bank, Switzerland         | EUR      | CD       | 552,942.70                 | 84.72         | 46,845,858      | 281,867.81        | 84.84         | 23,912,932      |
| ING Belgium NV/SA, Belgium                  | EUR      | CD       | 10,781.37                  | 95.66         | 1,031,311       | 890.75            | 99.33         | 88,480          |
| Commerz Bank AG, Germany (USD)              | USD      | CD       | 209,593.34                 | 83.95         | 17,595,361      | 46,582.50         | 83.20         | 3,875,664       |
| Commerz Bank AG, Germany (EURO)             | EUR      | CD       | (75,949.11)                | 95.66         | (7,265,049)     | 255,984.22        | 99.33         | 25,427,553      |
| United Bank of India, Kolkata, India        | USD      | CD       | 132,146.33                 | 83.95         | 11,093,684      | 941,305.43        | 83.20         | 78,316,612      |
| Westpack Banking Corporation, Australia     | AUD      | CD       | -                          | -             | -               | 123,366.28        | 64.73         | 7,985,968       |
| JP Morgan Chase Bank, New York, USA         | USD      | CD       | 3,733,743.33               | 83.95         | 313,447,753     | 3,981,933.51      | 83.20         | 331,296,868     |
| Somali Bank Limited, United Kingdom (GBP)   | GBP      | CD       | -                          | -             | -               | 1,649.66          | 111.78        | 184,405         |
| HDFC Bank Limited, India                    | USD      | CD       | 197,476.17                 | 83.95         | 16,578,124      | 266,371.28        | 83.20         | 22,162,090      |
| AB Bank Limited, Mumbai, India              | USD      | CD       | 64,329.18                  | 83.95         | 5,400,435       | 25,564            | 83.20         | 2,126,940       |
| JP Morgan Sydney                            | AUD      | CD       | 105,316.06                 | 59.11         | 6,225,590       | -                 | -             | -               |
| AXIS Bank Limited Kolkata ACU               | USD      | CD       | 354,345.53                 | 83.95         | 29,747,307      | 307,404           | 83.20         | 25,576,051      |
|   |          |          |                            |               | 1,524,483,227   |                   |               | 777,842,929     |
| OBU balance:                                |          |          |                            |               |                 |                   |               |                 |
| Standard Chartered Bank, Frankfurt, Germany | EUR      | CD       | 290,126.20                 | 95.56         | 27,725,776      |                   |               | 63,831,720      |
| Standard Chartered Bank, New York           | USD      | CD       | 293,239.38                 | 83.95         | 24,617,446      |                   |               | 468,011,012     |
| Commerz Bank, Germany                       | USD      | CD       | 312,051.72                 | 83.95         | 26,196,742      |                   |               | 25,962,703      |
| ICICI Bank Limited, Mumbai, India           | USD      | CD       | 3,876.95                   | 83.95         | 325,470         |                   |               | 322,562         |
| Sonali Bank Limited, United Kingdom         | GBP      | CD       | 1,649.66                   | 106.27        | 175,306         |                   |               | -               |
| Standard Chartered Bank, UK                 | GBP      | CD       | (410,566.09)               | 106.27        | (43,630,060)    |                   |               | (29,335,371)    |
| JP Morgan Chase Bank, New York              | USD      | CD       | 6,182,255.49               | 83.95         | 519,000,348     |                   |               | 5,594,757       |
| Eastern Bank OBU                            | USD      | CD       | -                          | -             | -               | 13,450,000        | 83.20         | 1,119,040,000   |
| One Bank OBU                                | USD      | CD       | 3,759,177.50               | 83.95         | 315,582,951     | 8,725,642         | 83.20         | 725,973,413     |
|   |          |          |                            |               | 869,993,979     |                   |               | 2,379,400,796   |
| Total                                       |          |          |                            |               | 2,394,477,206   |                   |               | 3,157,243,725   |





**BRAC Bank Limited**  
Investment in Shares  
As at 31 December 2018

| Sl. no                 | Name of the company                          | Industry                    | Face value | No. of shares | Cost of holding      | Average cost | Quoted rate per share as on 31/Dec/18 | Total market value at 31/Dec/18 |
|------------------------|--|-----------------------------|------------|---------------|----------------------|--------------|---------------------------------------|---------------------------------|
| <b>Quoted</b>          |  |                             |            |               |                      |              |                                       |                                 |
| <b>Ordinary shares</b> |  |                             |            |               |                      |              |                                       |                                 |
| 1                      | City Bank Ltd.                               | Bank                        | 10         | 2,230,852     | 69,940,840           | 31.35        | 30.20                                 | 67,371,730                      |
| 2                      | Dhaka Bank Limited                           | Bank                        | 10         | 1,300,000     | 18,486,009           | 14.22        | 14.20                                 | 18,460,000                      |
| 3                      | Confidence Cement Ltd.                       | Cement                      | 10         | 1,645,990     | 275,651,674          | 167.47       | 179.40                                | 295,290,606                     |
| 4                      | Bangladesh Steel Re-Rolling Mills Limited    | Engineering                 | 10         | 600,000       | 55,807,747           | 93.01        | 78.20                                 | 46,920,000                      |
| 5                      | Singer Bangladesh Limited                    | Engineering                 | 10         | 2,500,000     | 276,854,126          | 110.74       | 108.40                                | 271,000,000                     |
| 6                      | Delta Brac Housing Finance Corp. Ltd.        | Engineering                 | 10         | 500,000       | 119,229,172          | 238.46       | 221.20                                | 110,600,000                     |
| 7                      | IDLC Finance Ltd.                            | Financial Institution       | 10         | 389,320       | 52,628,695           | 135.18       | 129.40                                | 50,378,008                      |
| 8                      | National Housing Fin. and Inv. Ltd           | Financial Institution       | 10         | 1,648,148     | 124,704,904          | 75.66        | 69.70                                 | 114,875,916                     |
| 9                      | Olympic Industries Ltd.                      | Food & Allied               | 10         | 294,003       | 14,027,816           | 47.71        | 47.70                                 | 14,023,943                      |
| 10                     | Doreen Power Generations and Systems Limited | Fuel & Power                | 10         | 635,276       | 152,711,984          | 240.39       | 216.20                                | 137,346,671                     |
| 11                     | Linde Bangladesh Limited                     | Fuel & Power                | 10         | 1,100,000     | 113,001,187          | 102.73       | 79.90                                 | 87,890,000                      |
| 12                     | Aman Cotton Fibrous Limited                  | IT Sector                   | 10         | 23,024        | 28,722,795           | 1,247.52     | 1,198.40                              | 27,591,962                      |
| 13                     | Envoy Textiles Limited                       | Textile                     | 10         | 58,693        | 2,289,027            | 39.00        | 58.80                                 | 3,451,148                       |
| 14                     | Kattali Textile Limited                      | Textile                     | 10         | 7,846         | 313,840              | 40.00        | 42.10                                 | 330,317                         |
| 15                     | Sintex Industries Limited                    | Textile                     | 10         | 1,250,000     | 48,246,413           | 38.60        | 36.30                                 | 45,375,000                      |
| 16                     | The ACME Laboratories Limited                | Pharmaceuticals & Chemicals | 10         | 11,070        | 100,640              | 9.09         | 25.30                                 | 280,071                         |
| 17                     | Active Fine Chemicals Limited                | Pharmaceuticals & Chemicals | 10         | 1,207,357     | 38,796,677           | 32.13        | 33.00                                 | 39,842,781                      |
| 18                     | GlaxoSmithKline(GSK) Bangladesh Ltd.         | Pharmaceuticals & Chemicals | 10         | 219,274       | 24,989,696           | 113.97       | 85.90                                 | 18,835,637                      |
| 19                     | Square Pharmaceuticals Ltd.                  | Pharmaceuticals & Chemicals | 10         | 3,438,285     | 110,701,806          | 32.20        | 28.20                                 | 96,959,637                      |
| 20                     | Bata Shoe Company (Bangladesh) Limited       | Tannery Industries          | 10         | 747,964       | 4,591,947            | 1,450.39     | 1,450.20                              | 4,591,333                       |
| 21                     | Grameenphone Ltd.                            | Telecommunication           | 10         | 54,064        | 178,976,323          | 239.28       | 254.20                                | 190,132,449                     |
| 22                     | Tosrif Industries Limited                    | Textile                     | 10         | 580,000       | 64,835,118           | 1,199.23     | 1,116.40                              | 60,357,050                      |
| 23                     | DBH 1st Mutual Fund                          | Mutual Fund                 | 10         | 2,351,203     | 211,007,523          | 363.81       | 367.30                                | 213,034,000                     |
| 24                     | First Bangladesh Fixed Income Fund           | Mutual Fund                 | 10         | 1,000,000     | 56,586,427           | 24.07        | 20.40                                 | 47,964,541                      |
| 25                     | Green Delta Mutual Fund                      | Mutual Fund                 | 10         | 1,312,309     | 7,888,918            | 7.89         | 8.10                                  | 8,100,000                       |
| 26                     | LR Global Bangladesh Mutual Fund One         | Mutual Fund                 | 10         | 5,972,125     | 12,079,550           | 9.20         | 8.10                                  | 10,629,703                      |
| 27                     | MBL 1st Mutual Fund                          | Mutual Fund                 | 10         | 2,192,462     | 38,475,405           | 6.44         | 4.30                                  | 25,680,138                      |
| 28                     | NCCBL Mutual Fund-1                          | Mutual Fund                 | 10         | 29,452,904    | 19,108,892           | 8.72         | 7.50                                  | 16,443,465                      |
| 29                     | NLI First Mutual Fund                        | Mutual Fund                 | 10         | 5,000,000     | 278,457,087          | 9.45         | 6.90                                  | 203,225,038                     |
| 30                     | Southeast Bank 1st Mutual Fund               | Mutual Fund                 | 10         | 5,000,000     | 41,447,585           | 8.29         | 7.20                                  | 36,000,000                      |
| 31                     |  |                             | 10         | 5,000,000     | 41,448,258           | 8.29         | 6.90                                  | 34,500,000                      |
| 32                     |  |                             | 10         | 2,014,442     | 30,532,243           | 15.16        | 13.00                                 | 26,187,746                      |
| 33                     |  |                             | 10         | 6,114,726     | 77,525,273           | 12.68        | 12.20                                 | 74,599,657                      |
|                        |  |                             |            |               | <b>2,590,165,595</b> |              |                                       | <b>2,398,268,546</b>            |

**Unquoted**

|   |   |     |            |             |
|---|---|-----|------------|-------------|
| 1 | Industrial and Infrastructure Development Finance Co. Limited | 10  | 8,794,932  | 29,683,820  |
| 2 | Central Depository Bangladesh Limited                         | 10  | 2,284,721  | 6,277,770   |
| 3 | The Bangladesh Rating Agency Limited                          | 100 | 124,976    | 12,497,600  |
| 4 | VIPB Income Fund  | 10  | 30,000,000 | 333,900,000 |
| 5 | VIPB Growth Fund  | 10  | 8,680,500  | 86,805,000  |
| 6 | IDLC Balanced Fund  | 10  | 10,000,000 | 100,000,000 |
| 7 | HFAML-ACME Unit Fund  | 10  | 2,000,000  | 20,000,000  |

**Preference shares**

|   |                                |           |   |            |
|---|--------------------------------|-----------|---|------------|
| 1 | Union Capital Preference Share | 10,00,000 | 2 | 20,000,000 |
|---|--------------------------------|-----------|---|------------|

Total investment in Ordinary and Preference shares

20,000,000  
**609,164,190**  
**3,199,329,785**





**BRAC Bank Limited**  
**Detail of Large Loan**  
**As at 31 December 2018**

Number of Clients  
Amount of outstanding advances  
Amount of classified advances  
Measures taken for recovery

23  
64,039,799,318  
NIL  
NIL

Client wise break-up is as follows:

| Name of Clients                  | Outstanding (BDT)     |                       |                       |
|----------------------------------|-----------------------|-----------------------|-----------------------|
|                                  | Funded                | Non Funded            | Total                 |
| Abul Khair Group                 | 3,095,613,673         | 2,842,934,956         | 5,938,548,629         |
| Summit Group                     | -                     | 5,174,463,587         | 5,174,463,587         |
| Meghna Group                     | 1,059,847,838         | 5,845,366,150         | 6,905,213,987         |
| PRAN-RFL Group                   | 2,964,503,729         | 2,516,558,331         | 5,481,062,060         |
| Noman Group                      | 2,148,967,776         | 1,469,291,766         | 3,618,259,542         |
| Energypac Group                  | 2,034,412,893         | 1,494,572,730         | 3,528,985,623         |
| ACI Group                        | 2,015,488,130         | 1,322,193,260         | 3,337,681,389         |
| BSRM                             | 1,887,653,277         | 1,003,902,059         | 2,891,555,336         |
| Ha-Meem Group                    | 1,867,486,354         | 810,158,349           | 2,677,644,703         |
| ENVOY Group                      | 1,621,415,578         | -                     | 1,621,415,578         |
| Mir Akhter Hossain Ltd           | 1,338,926,545         | 1,340,275,683         | 2,679,202,228         |
| GPH+MI+TK Group                  | 1,115,726,323         | 361,292,262           | 1,477,018,585         |
| Walton Group                     | 1,074,905,230         | 1,096,565,707         | 2,171,470,936         |
| City Group                       | 1,007,000,000         | 3,740,614,186         | 4,747,614,186         |
| Urmi Group                       | 812,175,378           | 1,079,948,539         | 1,892,123,917         |
| Akij Group                       | -                     | -                     | -                     |
| Ananta Group                     | 624,228,142           | 1,026,395,170         | 1,650,623,313         |
| Bangla Trac Group                | 487,595,963           | 2,425,939,082         | 2,913,535,045         |
| Standard Group                   | 167,912,371           | 1,423,249,051         | 1,591,161,422         |
| Bangladesh Petroleum Corporation | -                     | -                     | -                     |
| Robi Axiata Limited              | -                     | 89,203,573            | 89,203,573            |
| BRAC                             | 3,594,800,655         | -                     | 3,594,800,655         |
| GrameenPhone Ltd                 | -                     | 58,215,023            | 58,215,023            |
| <b>GRAND TOTAL</b>               | <b>28,918,659,854</b> | <b>35,121,139,464</b> | <b>64,039,799,318</b> |





**BRAC Bank Limited**  
**Schedule of Fixed assets**  
**As at 31 December 2018**

| Particulars                             | Cost                             |                                    |                                | Depreciation                     |                        |                                       | Written down value as at 31.12.2018 |
|---|----------------------------------|------------------------------------|--------------------------------|----------------------------------|------------------------|---------------------------------------|-------------------------------------|
|   | Opening balance as on 01.01.2018 | Addition/Reduction during the year | Disposals/Transfer/Adjustments | Opening balance as on 01.01.2018 | Charge during the year | Disposals/Adjustments during the year | Total balance as at 31.12.2018      |
| <b>Property, plant &amp; equipments</b> |                                  |                                    |                                |                                  |                        |                                       |                                     |
| Land                                    | 1,043,648,935                    | 4,094,815                          | -                              | -                                | -                      | -                                     | 1,047,743,750                       |
| Leasehold Building                      | 4,034,334                        | -                                  | -                              | 519,756                          | 100,859                | -                                     | 3,413,719                           |
| Furniture & fixture                     | 2,097,265,452                    | 115,333,751                        | 5,703,291                      | 1,120,935,160                    | 189,561,833            | 5,373,950                             | 1,305,123,043                       |
| Office equipments                       | 1,542,362,259                    | 60,712,507                         | 2,995,020                      | 1,158,101,541                    | 134,961,746            | 2,924,003                             | 1,290,139,284                       |
| IT Hardware                             | 2,331,804,024                    | 443,449,464                        | 870,782                        | 1,780,003,494                    | 280,025,878            | 870,782                               | 2,059,158,590                       |
| Motor vehicles                          | 295,973,574                      | 32,566,043                         | 7,499,557                      | 54,262,311                       | 58,322,532             | 6,246,228                             | 214,701,445                         |
| Capital expenditure work in progress    | 970,504,865                      | 337,562,112                        | 1,085,812,177                  | -                                | -                      | -                                     | 222,254,800                         |
| <b>Sub-total</b>                        | <b>8,285,593,443</b>             | <b>993,718,692</b>                 | <b>1,102,880,827</b>           | <b>4,113,822,262</b>             | <b>662,972,848</b>     | <b>15,414,963</b>                     | <b>4,761,380,147</b>                |
| <b>Intangible assets:</b>               |                                  |                                    |                                |                                  |                        |                                       |                                     |
| With Indefinite useful lives:           | 50,000                           | -                                  | -                              | -                                | -                      | -                                     | 50,000                              |
| License                                 | -                                | -                                  | -                              | -                                | -                      | -                                     | -                                   |
| With definite useful lives:             | 1,043,281,544                    | 898,450,880                        | -                              | 939,921,865                      | 116,260,603            | -                                     | 1,056,182,468                       |
| IT Software                             | 1,043,331,544                    | 898,450,880                        | -                              | 939,921,865                      | 116,260,603            | -                                     | 1,056,182,468                       |
| <b>Sub-total</b>                        | <b>9,328,924,987</b>             | <b>1,892,169,572</b>               | <b>1,102,880,827</b>           | <b>5,053,744,127</b>             | <b>779,233,451</b>     | <b>15,414,963</b>                     | <b>5,817,562,615</b>                |
| <b>As at 31 December 2018</b>           |                                  |                                    |                                |                                  |                        |                                       | <b>4,300,651,117</b>                |

The amount of capital commitment of the Bank for the year 2018 was BDT 51,621,399 (2017: BDT 57,225,787)





**BRAC Bank Limited**  
**Schedule of Fixed assets**  
**As at 31 December 2017**

| Particulars                             | Cost                             |                             |                                | Depreciation                   |                                  |                        | Written down value as at 31.12.2018 |                                       |
|---|----------------------------------|-----------------------------|--------------------------------|--------------------------------|----------------------------------|------------------------|-------------------------------------|---------------------------------------|
|   | Opening balance as on 01.01.2018 | Addition/Revaluation during | Disposals/Transfer/Adjustments | Total balance as at 31.12.2018 | Opening balance as on 01.01.2018 | Charge during the year |                                     | Disposals/Adjustments during the year |
| <b>Property, plant &amp; equipments</b> |                                  |                             |                                |                                |                                  |                        |                                     |                                       |
| Land                                    | 1,043,648,935                    | -                           | -                              | 1,043,648,935                  | -                                | -                      | -                                   | 1,043,648,935                         |
| Leasehold Building                      | 4,034,334                        | -                           | -                              | 4,034,334                      | 418,898                          | 100,858                | -                                   | 519,756                               |
| Furniture & fixture                     | 1,809,233,630                    | 292,668,158                 | 4,636,336                      | 2,097,265,452                  | 940,818,457                      | 184,367,978            | 4,251,275                           | 1,120,935,160                         |
| Office equipments                       | 1,359,404,911                    | 201,226,873                 | 18,269,525                     | 1,542,362,259                  | 1,052,525,735                    | 123,797,081            | 18,221,275                          | 1,158,101,541                         |
| IT Hardware                             | 2,134,467,308                    | 320,537,815                 | 123,201,099                    | 2,331,804,024                  | 1,617,663,390                    | 230,490,189            | 68,150,085                          | 1,780,003,494                         |
| Motor vehicles                          | 108,371,172                      | 243,465,275                 | 55,862,873                     | 295,973,574                    | 81,210,090                       | 28,915,094             | 55,862,873                          | 54,262,311                            |
| Capital expenditure work in progress    | 227,259,912                      | 743,244,953                 | -                              | 970,504,865                    | -                                | -                      | -                                   | 970,504,865                           |
| <b>Sub-total</b>                        | <b>6,686,420,202</b>             | <b>1,801,143,074</b>        | <b>201,969,832</b>             | <b>8,285,593,443</b>           | <b>3,692,636,570</b>             | <b>567,671,200</b>     | <b>146,485,507</b>                  | <b>4,113,822,262</b>                  |
| <b>Intangible assets:</b>               |                                  |                             |                                |                                |                                  |                        |                                     |                                       |
| With Indefinite useful lives:           |                                  |                             |                                |                                |                                  |                        |                                     |                                       |
| License                                 | 50,000                           | -                           | -                              | 50,000                         | -                                | -                      | -                                   | 50,000                                |
| With definite useful lives:             |                                  |                             |                                |                                |                                  |                        |                                     |                                       |
| IT Software                             | 1,007,950,056                    | 35,331,488                  | -                              | 1,043,281,544                  | 888,712,100                      | 51,209,764             | -                                   | 939,921,865                           |
| <b>Sub-total</b>                        | <b>1,008,000,056</b>             | <b>35,331,488</b>           | <b>-</b>                       | <b>1,043,331,544</b>           | <b>888,712,100</b>               | <b>51,209,764</b>      | <b>-</b>                            | <b>939,921,865</b>                    |
| <b>As at 31 December 2017</b>           | <b>7,694,420,258</b>             | <b>1,836,474,561</b>        | <b>201,969,832</b>             | <b>9,328,924,987</b>           | <b>4,581,348,670</b>             | <b>618,880,964</b>     | <b>146,485,507</b>                  | <b>5,053,744,127</b>                  |
|   |                                  |                             |                                |                                |                                  |                        |                                     | <b>4,275,180,860</b>                  |





**BRAC Bank Limited**  
**Statement of Tax position**  
**As at 31 December 2018**

| Accounting Year | Assessment Year | Tax Provision in Financial Statements | Tax as per assessment | (Short)/Excess provision | Advance Tax as per assessment order | Present Status  |
|-----------------|-----------------|---------------------------------------|-----------------------|--------------------------|-------------------------------------|---|
| 2010            | 2011-2012       | 1,416,240,000                         | 1,308,180,639         | 108,059,361              | 1,228,668,951                       | Assessment in progress and filled appeal before The Honorable High Court Division against the order of The Taxes Appellate Tribunal |
| 2011            | 2012-2013       | 1,460,000,000                         | 1,535,641,921         | (75,641,921)             | 1,256,758,569                       | Assessment in progress and filled appeal before The Taxes Appellate Tribunal against the Order of Commissioner of Taxes Appeal      |
| 2012            | 2013-2014       |                                       | 1,537,477,180         | (7,477,180)              | 1,304,653,579                       | Assessment in progress and filled appeal before The Taxes Appellate Tribunal against the Order of Commissioner of Taxes Appeal      |
| 2013            | 2014-2015       | 1,797,698,269                         | 1,101,920,583         | 695,777,686              | 1,088,661,543                       | Assessment in progress and appeared hearing at DCT level  |
| 2014            | 2015-2016       | 2,097,475,598                         | 1,338,429,288         | 759,046,310              | 1,250,930,480                       | Tax return submitted for the assessment   |
| 2015            | 2016-2017       | 2,250,022,595                         | 1,759,473,049         | 490,549,546              | 1,540,453,195                       | Tax return submitted for the assessment   |
| 2016            | 2017-2018       | 2,687,848,854                         | 2,106,200,190         | 581,648,664              | 2,106,200,190                       | Tax return submitted for the assessment   |
| 2017            | 2018-2019       | 3,194,040,955                         | 2,847,211,148         | 346,829,806              | 2,402,077,500                       | Tax return submitted for the assessment   |
| 2018            | 2019-2020       | 2,523,031,538                         | -                     | -                        |                                     | Not yet due to Submit Tax Return  |





**BRAC Bank Limited**  
**Statement of Consolidated Segment Reporting**  
**As at 31 December 2018**

**A. Segmental operating profit and loss**

There are 8 (eight) operating segments including subsidiaries as on 31 December 2018. Out of 8 (eight) operating segments only 5 (five) are reportable as per latest evaluation in accordance with IFRS 8: Operating segments. Hence other non-reportable segments have been shown under 'Others'. Comparative figures have been disclosed accordingly.

| Particulars                         | BRAC Bank Limited |               |               |               |                | Consolidation |               |  |  | Total          | Inter company elimination | Total          |
|-------------------------------------|-------------------|---------------|---------------|---------------|----------------|---------------|---------------|--|--|----------------|---------------------------|----------------|
|                                     | SME               | Retail        | Corporate     | Treasury      | Total          | bKash         | Others        |  |  |                |                           |                |
| Interest income                     | 11,877,104,002    | 4,472,905,468 | 7,373,536,187 | 1,366,459,394 | 25,090,005,051 | 2,467,242,270 | 108,109,559   |  |  | 27,463,966,939 | (201,389,941)             | 27,463,966,939 |
| Interest Expense on Deposits        | 948,549,904       | 4,948,635,958 | 3,423,424,630 | 747,258,442   | 10,067,868,934 | 150,067,225   | 19,738,464    |  |  | 10,154,093,851 | (83,580,772)              | 10,154,093,851 |
| Interest Expense on Borrowings      | 74,676,537        | 12,262,752    | 113,234,055   | 1,306,239,330 | 1,506,412,674  | -             | 117,784,784   |  |  | 1,506,388,289  | (117,809,169)             | 1,506,388,289  |
| Inter segment income/(expenses)     | (5,230,212,322)   | 5,384,198,768 | (452,551,361) | 298,564,915   | -              | -             | -             |  |  | -              | -                         | -              |
| Net interest income                 | 5,623,665,239     | 4,896,205,526 | 3,384,326,141 | (388,473,463) | 13,515,723,443 | 2,317,175,045 | (29,413,689)  |  |  | 15,803,484,799 | -                         | 15,803,484,799 |
| Investment income                   | 314,141,329       | 1,107,131,213 | 817,532,876   | 2,961,103,311 | 2,961,103,311  | -             | (178,119,125) |  |  | 2,782,984,186  | -                         | 2,782,984,186  |
| Commission, fees and others         | 30,082,945        | 56,206,113    | 304,984,999   | 334,692,943   | 2,573,498,361  | 3,375,067,143 | 1,282,548,470 |  |  | 7,226,644,875  | (4,469,099)               | 7,226,644,875  |
| Other operating income              | 5,967,889,513     | 6,059,542,852 | 4,506,844,016 | 2,630,646,605 | 19,164,922,986 | 45,789,650    | 34,220,885    |  |  | 194,608,406    |                           | 194,608,406    |
| Total Segment Revenue               |                   |               |               |               |                | 5,738,031,838 | 1,109,236,541 |  |  | 26,007,722,266 | (4,469,099)               | 26,007,722,266 |
| Staff costs                         | 2,286,514,970     | 1,764,143,023 | 537,624,746   | 93,006,019    | 4,681,288,758  | 1,486,417,062 | 269,239,749   |  |  | 6,436,945,569  |                           | 6,436,945,569  |
| Other operating costs               | 2,292,156,795     | 2,550,649,884 | 684,604,326   | 133,949,807   | 5,661,359,812  | 3,712,802,058 | 807,625,776   |  |  | 10,177,318,547 | (4,469,099)               | 10,177,318,547 |
| Total segment expenditure           | 4,578,671,765     | 4,314,791,907 | 1,222,229,072 | 226,955,826   | 10,342,648,570 | 1,076,865,525 | 1,076,865,525 |  |  | 16,614,264,116 | (4,469,099)               | 16,614,264,116 |
| Reportable segment operating profit | 1,389,217,748     | 1,744,750,945 | 3,284,614,944 | 2,403,690,779 | 8,822,274,416  | 5,738,031,838 | 32,371,016    |  |  | 9,393,458,150  | -                         | 9,393,458,150  |

As at 31 December 2017

| Particulars                         | BRAC Bank Limited |               |               |                 |                | Consolidation |               |  |  | Total          | Inter company elimination | Total          |
|-------------------------------------|-------------------|---------------|---------------|-----------------|----------------|---------------|---------------|--|--|----------------|---------------------------|----------------|
|                                     | SME               | Retail        | Corporate     | Treasury        | Total          | bKash         | Others        |  |  |                |                           |                |
| Interest income                     | 9,629,242,005     | 4,418,268,122 | 4,949,801,575 | 1,501,020,087   | 20,498,331,789 | 1,389,454,937 | 195,577,834   |  |  | 21,734,412,979 | (348,951,582)             | 21,734,412,979 |
| Interest Expense on Deposits        | 706,480,982       | 3,341,424,408 | 2,062,655,891 | -               | 6,110,561,280  | 108,095,482   | -             |  |  | 5,944,422,505  | (274,234,258)             | 5,944,422,505  |
| Interest Expense on Borrowings      | 50,425,902        | -             | 349,672,244   | 1,840,033,941   | 2,240,132,088  | -             | 91,094,246    |  |  | 2,256,509,009  | (74,717,324)              | 2,256,509,009  |
| Inter segment income/(expenses)     | (3,285,407,896)   | 3,515,226,786 | 577,099,702   | (806,918,592)   | -              | -             | -             |  |  | -              | -                         | -              |
| Net interest income                 | 5,586,927,226     | 4,592,070,501 | 3,114,573,142 | (1,145,932,447) | 12,147,638,421 | 1,281,359,455 | 104,483,588   |  |  | 13,533,481,464 | -                         | 13,533,481,464 |
| Investment income                   | 392,781,771       | 1,243,459,123 | 891,084,834   | 348,700,057     | 3,580,988,216  | -             | (666,288,679) |  |  | 2,914,699,537  | -                         | 2,914,699,537  |
| Commission, fees and others         | 13,839,721        | 38,110,027    | 11,705,458    | 41,373,374      | 2,876,025,784  | 2,959,149,430 | 1,082,427,102 |  |  | 6,881,929,480  | (35,672,836)              | 6,881,929,480  |
| Other operating income              | 5,993,548,718     | 5,873,639,650 | 4,017,363,433 | 2,825,129,200   | 18,709,681,001 | 52,363,690    | 292,261,920   |  |  | 371,289,964    | (78,364,225)              | 371,289,964    |
| Total Segment Revenue               |                   |               |               |                 |                | 4,292,872,575 | 812,883,931   |  |  | 23,701,400,445 | (114,037,061)             | 23,701,400,445 |
| Staff costs                         | 2,096,254,181     | 1,745,200,482 | 441,648,719   | 76,730,729      | 4,359,834,111  | 1,154,124,527 | 364,522,400   |  |  | 5,865,172,038  | -                         | 5,865,172,038  |
| Other operating costs               | 1,875,992,739     | 2,776,716,607 | 531,391,797   | 115,906,123     | 5,300,007,266  | 2,347,967,727 | 866,522,586   |  |  | 8,413,769,518  | (114,037,061)             | 8,413,769,518  |
| Total segment expenditure           | 3,972,246,920     | 4,521,917,089 | 973,040,516   | 192,636,852     | 9,659,841,377  | 3,502,092,254 | 1,231,044,986 |  |  | 14,278,941,556 | (114,037,061)             | 14,278,941,556 |
| Reportable segment operating profit | 2,021,301,797     | 1,351,722,561 | 3,044,322,917 | 2,632,492,348   | 9,049,839,624  | 790,780,321   | (418,161,055) |  |  | 9,422,458,889  | -                         | 9,422,458,889  |

**B. Segmental assets and liabilities**

The necessary information regarding assets and liabilities of operating segments (excluding subsidiaries) are not separable and individually identifiable and so the assets and liabilities of the respective segments have not been presented here.





Off-shore Banking Units  
Balance Sheet  
As at 31 December 2018

| Particulars  | Note | 2018               |                       | 2017               |                       |
|--|------|--------------------|-----------------------|--------------------|-----------------------|
|  |      | USD                | Taka                  | USD                | Taka                  |
| PROPERTY AND ASSETS  |      |                    |                       |                    |                       |
| Cash   |      | -                  | -                     | -                  | -                     |
| Cash in hand<br>(Including foreign currency)                                       |      | -                  | -                     | -                  | -                     |
| Balance with Bangladesh Bank and its agent bank(s)<br>(Including foreign currency) |      | -                  | -                     | -                  | -                     |
| Balance with other banks and financial institutions                                |      | 10,363,240         | 869,993,979           | 28,598,567         | 2,379,400,796         |
| Inside Bangladesh  |      | -                  | -                     | -                  | -                     |
| Outside Bangladesh   |      | 10,363,240         | 869,993,979           | 28,598,567         | 2,379,400,796         |
| Money at call and short notice   |      | -                  | -                     | -                  | -                     |
| Investments  |      | -                  | -                     | -                  | -                     |
| Government   |      | -                  | -                     | -                  | -                     |
| Others   |      | -                  | -                     | -                  | -                     |
| Loans and advances   | 4    | 355,443,712        | 29,839,499,636        | 283,504,776        | 23,587,597,315        |
| Loans, cash credit, overdrafts etc.  |      | 144,272,417        | 12,125,134,237        | 219,692,170        | 18,278,388,424        |
| Small and medium enterprises   |      | -                  | -                     | 3,736,992          | 310,917,764           |
| Bills purchased and discounted   |      | 211,171,295        | 17,714,365,399        | 60,075,614         | 4,998,291,127         |
| Fixed assets including premises, furniture and fixtures                            |      | -                  | -                     | -                  | -                     |
| Other assets   | 5    | 4,258,741          | 357,482,896           | 18,287,436         | 1,521,514,721         |
| Total Property and Assets  |      | <u>370,065,693</u> | <u>31,066,976,511</u> | <u>330,390,779</u> | <u>27,488,512,832</u> |
| LIABILITIES AND CAPITAL  |      |                    |                       |                    |                       |
| Liabilities  |      |                    |                       |                    |                       |
| Borrowings from other banks, financial institutions and agents                     | 6    | 334,123,690        | 28,049,683,766        | 298,177,562        | 24,808,373,175        |
| Money at call and short notice   |      | -                  | -                     | -                  | -                     |
| Deposits and other accounts  | 7    | 8,582,848          | 720,530,094           | 7,592,122          | 631,664,572           |
| Current accounts and other accounts  |      | 87,356             | 7,333,527             | 273,759            | 22,776,748            |
| Bills payable  |      | -                  | -                     | -                  | -                     |
| Savings deposits   |      | -                  | -                     | -                  | -                     |
| Fixed deposits   |      | 8,408,596          | 705,901,654           | 7,318,363          | 608,887,824           |
| Other deposits   |      | 86,896             | 7,294,913             | -                  | -                     |
| Other liabilities  | 8    | 23,368,705         | 1,960,054,172         | 21,115,768         | 1,756,831,908         |
| Total Liabilities  |      | <u>366,075,243</u> | <u>30,730,268,032</u> | <u>326,885,452</u> | <u>27,196,869,655</u> |
| Capital and Shareholders' Equity   |      |                    |                       |                    |                       |
| Paid up share capital  |      | -                  | -                     | -                  | -                     |
| Statutory reserve  |      | -                  | -                     | -                  | -                     |
| Revaluation reserve  |      | -                  | -                     | -                  | -                     |
| Translation reserve  |      | -                  | (3,001,421)           | -                  | -                     |
| Surplus in profit and loss account/Retained earnings                               | 9    | 3,990,450          | 339,709,900           | 3,505,327          | 291,643,177           |
| Total shareholders' equity   |      | <u>3,990,450</u>   | <u>336,708,479</u>    | <u>3,505,327</u>   | <u>291,643,177</u>    |
| Total Liabilities and Shareholders' Equity   |      | <u>370,065,693</u> | <u>31,066,976,511</u> | <u>330,390,779</u> | <u>27,488,512,832</u> |





**Off-shore Banking Units  
Balance Sheet  
As at 31 December 2018**

| Particulars  | Note | 2018       |               | 2017       |               |
|--|------|------------|---------------|------------|---------------|
|  |      | USD        | Taka          | USD        | Taka          |
| Off balance sheet items  |      |            |               |            |               |
| Contingent liabilities   |      |            |               |            |               |
| Acceptances and endorsements                                   |      | 105,500    | 8,787,198     | 59,383     | 4,940,694     |
| Letter of guarantees   |      | -          | -             | -          | -             |
| Irrevocable letter of credits                                  |      | 3,165,624  | 273,188,268   | 27,685,771 | 2,303,456,182 |
| Bills for collection   |      | 18,921,507 | 1,584,093,294 | 12,478,612 | 1,038,220,512 |
| Other contingent liabilities                                   |      | 15,088,870 | 1,263,686,550 | -          | -             |
| Total  |      | 37,281,501 | 3,129,755,310 | 40,223,766 | 3,346,617,388 |
| 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- lease hold assets                                 |      | -          | -             | -          | -             |
| Total  |      | -          | -             | -          | -             |
| Total off balance sheet items including contingent liabilities |      |            |               |            |               |
|  |      | 37,281,501 | 3,129,755,310 | 40,223,766 | 3,346,617,388 |





**Off-shore Banking Units  
Profit and Loss Account  
For the year ended 31 December 2018**

| Particulars                                  | Note | 2018             |                    | 2017             |                     |
|--|------|------------------|--------------------|------------------|---------------------|
|  |      | USD              | Taka               | USD              | Taka                |
| Interest income                              | 10   | 19,728,387       | 1,652,016,884      | 16,436,061       | 1,367,480,322       |
| Interest paid on deposits and borrowing etc. | 11   | 15,294,801       | 1,277,716,354      | 13,530,704       | 1,125,754,576       |
| <b>Net interest income</b>                   |      | <b>4,433,586</b> | <b>374,300,530</b> | <b>2,905,357</b> | <b>241,725,746</b>  |
| Investment income                            |      | -                | -                  | -                | -                   |
| Commission, exchange and brokerage           | 12   | 724,268          | 60,479,116         | 690,712          | 57,467,253          |
| Other operating income                       | 13   | 330,026          | 30,768,312         | -                | -                   |
| <b>Total operating income</b>                |      | <b>5,487,880</b> | <b>465,547,958</b> | <b>3,596,069</b> | <b>299,192,999</b>  |
| Salaries and allowances                      |      | 382,131          | 32,021,039         | 278,374          | 23,160,727          |
| Rent, taxes, insurance, electricity etc.     | 14   | 81,321           | 6,814,804          | 38,638           | 3,214,721           |
| Legal expenses                               |      | -                | -                  | 250              | 20,824              |
| Postage, stamps, telecommunication etc.      | 15   | 4,153            | 347,989            | 2,438            | 202,870             |
| Stationery, printing, advertisement etc.     | 16   | 13,442           | 1,126,296          | 16,557           | 1,377,492           |
| Depreciation and repairs to bank's assets    |      | 71,244           | 5,969,955          | 79,422           | 6,607,940           |
| Other expenses                               |      | 95,008           | 7,960,424          | 75,364           | 6,270,307           |
| <b>Total operating expenses</b>              |      | <b>647,299</b>   | <b>54,240,507</b>  | <b>491,043</b>   | <b>40,854,881</b>   |
| <b>Profit before provisions</b>              |      | <b>4,840,581</b> | <b>411,307,451</b> | <b>3,105,026</b> | <b>258,338,118</b>  |
| <b>Provision for:</b>                        |      |                  |                    |                  |                     |
| Loans and advances                           |      | 850,131          | 71,597,550         | (400,301)        | (33,305,059)        |
| Off balance sheet items                      |      | -                | -                  | -                | -                   |
| Others                                       |      | -                | -                  | -                | -                   |
| <b>Total provision</b>                       | 17   | <b>850,131</b>   | <b>71,597,550</b>  | <b>(400,301)</b> | <b>(33,305,059)</b> |
| <b>Profit/(loss) before taxes</b>            |      | <b>3,990,450</b> | <b>339,709,900</b> | <b>3,505,327</b> | <b>291,643,177</b>  |
| <b>Provision for tax:</b>                    |      |                  |                    |                  |                     |
| Current tax expense                          |      | -                | -                  | -                | -                   |
| Deferred tax expense/ (income)               |      | -                | -                  | -                | -                   |
| <b>Total provision for tax</b>               | 18   | <b>-</b>         | <b>-</b>           | <b>-</b>         | <b>-</b>            |
| <b>Total profit/(loss) after taxes</b>       |      | <b>3,990,450</b> | <b>339,709,900</b> | <b>3,505,327</b> | <b>291,643,177</b>  |





**Off-shore Banking Units  
Cash Flow Statement  
For the year ended 31 December 2018**

| Particulars  | 2018                |                        | 2017              |                      |
|--|---------------------|------------------------|-------------------|----------------------|
|  | USD                 | Taka                   | USD               | Taka                 |
| <b>A. Cash flows from operating activities</b>                                   |                     |                        |                   |                      |
| Interest receipts in cash  | 18,488,689          | 1,552,125,446          | 16,938,893        | 1,409,315,876        |
|  | (14,416,264)        | (1,210,245,326)        | (11,238,027)      | (935,003,822)        |
| Fees and commissions receipts  | 720,418             | 60,479,116             | 690,712           | 57,467,253           |
| Cash payments to employees   | (381,430)           | (32,021,039)           | (278,374)         | (23,160,727)         |
| Cash payments to suppliers   | (17,561)            | (1,474,285)            | (18,995)          | (1,580,362)          |
| Receipts from other operating activities   | 366,508             | 30,768,312             | -                 | -                    |
| Payment for other operating activities :   | (104,887)           | (8,805,273)            | (193,675)         | (16,113,792)         |
| Operating cash flow before changes in operating assets and liabilities (i)       | 4,655,473           | 390,826,952            | 5,900,534         | 490,924,426          |
| <b>Increase/decrease in operating assets and liabilities</b>                     |                     |                        |                   |                      |
| Loans and advances to customers  | (74,471,737)        | (6,251,902,321)        | (23,448,357)      | (1,950,903,289)      |
| Other assets   | (15,297,862)        | (1,284,255,516)        | (556,638)         | (46,312,308)         |
| Deposits from other banks/borrowings   | 38,610,013          | 3,241,310,592          | 33,893,445        | 2,819,934,668        |
| Deposits from customers  | 1,058,553           | 88,865,522             | (245,526)         | (20,427,802)         |
| Other liabilities  | 27,465,729          | 2,305,747,954          | (5,328,275)       | (443,312,454)        |
| Cash utilized in operating assets and liabilities (ii)                           | (22,635,304)        | (1,900,233,770)        | 4,314,649         | 358,978,815          |
| <b>Net cash (used)/flows from operating activities (I+II)</b>                    | <b>(17,979,831)</b> | <b>(1,509,406,817)</b> | <b>10,215,183</b> | <b>849,903,241</b>   |
| <b>B. Cash flows from investing activities</b>                                   |                     |                        |                   |                      |
| Investment in commercial paper   | -                   | -                      | -                 | -                    |
| <b>Net cash used in investing activities</b>                                     | <b>-</b>            | <b>-</b>               | <b>-</b>          | <b>-</b>             |
| <b>C. Cash flows from financing activities</b>                                   |                     |                        |                   |                      |
|  | -                   | -                      | -                 | -                    |
| <b>D. Net increase/(decrease) in cash (A+B+C)</b>                                | <b>(17,979,831)</b> | <b>(1,509,406,817)</b> | <b>10,215,183</b> | <b>849,903,241</b>   |
| <b>E. Cash and cash equivalents at beginning of year</b>                         | <b>28,598,567</b>   | <b>2,379,400,796</b>   | <b>19,422,191</b> | <b>1,529,497,555</b> |
| Exchange difference  | (255,496)           | -                      | (1,038,807)       | -                    |
| <b>Cash and cash equivalents at the end of year (D+E)</b>                        | <b>10,363,240</b>   | <b>869,993,979</b>     | <b>28,598,567</b> | <b>2,379,400,796</b> |
| <b>Cash and cash equivalents at the end of the year:</b>                         |                     |                        |                   |                      |
| Cash in hand (including foreign currency)  | -                   | -                      | -                 | -                    |
| Balance with Bangladesh Bank and its agents bank(s) (including foreign currency) | -                   | -                      | -                 | -                    |
| Balance with other banks and financial institutions                              | 10,363,240          | 869,993,979            | 28,598,567        | 2,379,400,796        |
|  | <u>10,363,240</u>   | <u>869,993,979</u>     | <u>28,598,567</u> | <u>2,379,400,796</u> |





**Off-Shore Banking Units**  
**Notes To The Financial Statements**  
**As at and for the year ended 31 December 2018**

**1.1 Status of the units**

Off-shore Banking Units of BRAC Bank Limited, governed under the rules and guidelines of Bangladesh Bank. The bank commenced the operation of its Off-shore banking Unit from 2010 after obtaining necessary approval from Bangladesh Bank.

**1.1.1 Principal Activities**

The principal activities of the units are to provide all kinds of commercial banking services to its customers through its off-shore Banking units in Bangladesh.

**2 Summary of significant accounting policies and basis of preparation**

**2.1** A summary of the principle accounting policies which have been applied consistently (unless otherwise stated), are set out below:

**a) Basis of accounting**

The Off-shore Banking Units maintain its accounting records in USD from which accounts are prepared according to the Bank Companies Act 1991, International Financial Reporting Standards and other applicable directives issued by Bangladesh Bank.

**b) 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. Revision of accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

**c) Foreign currency transactions and translations to presentation currency**

Foreign currency transactions are converted into equivalent functional currency i.e. USD using the exchange rates ruling on the dates of respective transactions as per IAS -21" The Effects of Changes in Foreign Exchange Rates".

All revenue items have been translated to presentation currency i.e. BDT at average rate and all balance sheet items except retained earnings were translated to presentation currency at the closing rate. Any resulting differences have been recognized as translation reserve.

Commitments for outstanding forward foreign exchange contracts disclosed in the financials 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.

**2.2 Reporting period**

These financial statements cover one calendar year from 1 January to 31 December 2018.

**2.3 Cash and cash equivalents**

For the purpose of presentation in the cash flow statements, cash and cash equivalents includes cash in hand and cash at bank, highly liquid interest bearing investment/securities with original maturities of less than three month.

As per IAS 7 Statement of Cash Flows, 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 BRPD 14 dated 25 June 2003, cash flow statement should be a mixture of direct and indirect method.

**2.4 Loans and advances / investment**

a) Loans and advances of Off-shore Banking Units 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.





## 2.5 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".

## 2.6 General

a) Figures appearing in these financial statements have been rounded off to the nearest Taka and rearranged wherever necessary.

| Particulars  | 2018               |                       | 2017               |                       |
|--|--------------------|-----------------------|--------------------|-----------------------|
|  | USD                | Taka                  | USD                | Taka                  |
| <b>3 Balance with other banks and financial institutions</b> |                    |                       |                    |                       |
| Standard Chartered Bank, Frankfurt, Germany                  | 330,265            | 27,725,776            | 767,208            | 63,831,720            |
| Standard Chartered Bank, New York                            | 293,239            | 24,617,446            | 5,625,132          | 468,011,012           |
| Commerz Bank, Germany  | 312,052            | 26,196,742            | 312,052            | 25,962,703            |
| ICICI Bank Limited, Mumbai, India                            | 3,877              | 325,470               | 3,877              | 322,562               |
| Sonali Bank Limited, United Kingdom (GBP)                    | 2,088              | 175,306               | -                  | -                     |
| Standard Chartered Bank, UK                                  | (519,715)          | (43,630,060)          | (352,589)          | (29,335,371)          |
| JP Morgan Chase Bank, New York                               | 6,182,255          | 519,000,348           | 67,245             | 5,594,757             |
| BBL OBU to Other Bank OBU placement                          | 3,759,179          | 315,582,951           | 22,175,642         | 1,845,013,413         |
|  | <u>10,363,240</u>  | <u>869,993,979</u>    | <u>28,598,567</u>  | <u>2,379,400,796</u>  |
| <b>4 Loans and advances</b>                                  |                    |                       |                    |                       |
| Loans, cash credits, overdrafts etc. (note 4.1)              | 144,272,417        | 12,125,134,237        | 219,692,170        | 18,278,388,424        |
| Small and medium enterprises                                 | -                  | -                     | 3,736,992          | 310,917,764           |
| Bills purchased and discounted (note 4.2)                    | <u>211,171,295</u> | <u>17,714,365,399</u> | <u>60,075,614</u>  | <u>4,998,291,127</u>  |
|  | <u>355,443,712</u> | <u>29,839,499,636</u> | <u>283,504,776</u> | <u>23,587,597,315</u> |
| <b>4.1 Overdrafts</b>  | 5,565,349          | 467,211,048           | 2,784,540          | 231,673,667           |
| Demand loans   | 48,433,240         | 4,079,435,350         | 104,378,292        | 8,684,273,857         |
| Term loans   | <u>90,273,828</u>  | <u>7,578,487,839</u>  | <u>112,529,338</u> | <u>9,362,440,900</u>  |
|  | <u>144,272,417</u> | <u>12,125,134,237</u> | <u>219,692,170</u> | <u>18,278,388,424</u> |
| <b>4.2 Bills purchased and discounted</b>                    | 208,374,036        | 17,486,267,904        | 56,409,909         | 4,693,304,479         |
| Bills purchased and discounted SME                           | <u>2,797,259</u>   | <u>228,097,495</u>    | <u>3,665,705</u>   | <u>304,986,648</u>    |
|  | <u>211,171,295</u> | <u>17,714,365,399</u> | <u>60,075,614</u>  | <u>4,998,291,127</u>  |
|  | <u>355,443,712</u> | <u>29,839,499,636</u> | <u>279,767,784</u> | <u>23,276,679,551</u> |
| <b>5 Other assets</b>  |                    |                       |                    |                       |
| Interest receivables   | 3,224,488          | 270,804,984           | 2,054,249          | 170,913,546           |
| Deferred revenue expenditure                                 | 776,953            | 65,225,217            | 768,259            | 63,919,173            |
| Receivables against collateral margin-swap                   | -                  | 180,000               | -                  | -                     |
| FX translation adjustments - contra                          | 246,220            | 20,332,253            | -                  | -                     |
| Receivable against proxy account                             | 11,080             | 940,442               | 14,097             | 1,172,902             |
| Receivable settlement account-OBUDBU                         | -                  | -                     | 15,450,831         | 1,285,509,100         |
|  | <u>4,258,741</u>   | <u>357,482,896</u>    | <u>18,287,436</u>  | <u>1,521,514,721</u>  |





## Continuation of Annexure - I

| Particulars   | 2018               |                       | 2017               |                       |
|---|--------------------|-----------------------|--------------------|-----------------------|
|   | USD                | Taka                  | USD                | Taka                  |
| <b>6 Borrowings from other banks, financial institutions and agents</b> |                    |                       |                    |                       |
| <b>Inside Bangladesh:</b>   |                    |                       |                    |                       |
| Southeast Bank Ltd.   | -                  | -                     | 4,000,000          | 332,800,000           |
| Dhaka Bank Limited  | -                  | -                     | 5,000,000          | 416,000,000           |
| Agrani Bank Limited   | -                  | -                     | 20,000,000         | 1,664,000,000         |
| On Shore to BBL Off Shore   | 60,645,691         | 5,091,205,150         | 19,200,000         | 1,597,440,000         |
|   | <b>60,645,691</b>  | <b>5,091,205,150</b>  | <b>48,200,000</b>  | <b>4,010,240,000</b>  |
| <b>Outside Bangladesh:</b>  |                    |                       |                    |                       |
| Sonali Bank UK Ltd  | 14,557,275         | 1,222,083,236         | 15,450,830         | 1,285,509,100         |
| BANK ONE Mauritius  | 13,000,000         | 1,091,350,000         | 13,000,000         | 1,081,600,000         |
| Emirates Islamic Bank Dubai   | 5,793,490          | 486,363,486           | 10,000,000         | 832,000,000           |
| HDFC Bank Limited   | 9,300,000          | 780,735,000           | 5,000,000          | 416,000,000           |
| ICICI Bank Limited  | 10,000,000         | 839,500,000           | 10,000,000         | 832,000,000           |
| Standard Chartered Bank Singapore                                       | 8,000,000          | 671,600,000           | 37,000,000         | 3,078,400,000         |
| Standard Chartered Bank, NewYork  | 10,000,000         | 839,500,000           | -                  | -                     |
| UBL Dubai   | -                  | -                     | 11,800,000         | 981,760,000           |
| Asian Development Bank  | 32,157,136         | 2,699,592,143         | 29,821,000         | 2,481,107,200         |
| KBC Bank NV Belgium   | 15,840,098         | 1,329,776,251         | 10,005,732         | 832,476,876           |
| Abu Dhabi Commercial Bank   | 24,830,000         | 2,084,478,500         | -                  | -                     |
| First Abu Dhabi Bank PJSC   | 17,500,000         | 1,469,125,000         | -                  | -                     |
| First Gulf Bank   | -                  | -                     | 15,000,000         | 1,248,000,000         |
| The National Bank of Ras Al-Khaimah                                     | 22,500,000         | 1,888,875,000         | 25,400,000         | 2,113,280,000         |
| Borrowing from NORFUND  | -                  | -                     | 2,500,000          | 208,000,000           |
| Borrowing from IFC  | 90,000,000         | 7,555,500,000         | 50,000,000         | 4,160,000,000         |
| Borrowing from FMO  | -                  | -                     | 15,000,000         | 1,247,999,999         |
|   | <b>273,477,999</b> | <b>22,958,478,616</b> | <b>249,977,562</b> | <b>20,798,133,175</b> |
|   | <b>334,123,690</b> | <b>28,049,683,766</b> | <b>298,177,562</b> | <b>24,808,373,175</b> |
| <b>7 Deposit and other accounts</b>                                     |                    |                       |                    |                       |
| <b>Local currency:</b>  |                    |                       |                    |                       |
| Current and other accounts  | -                  | -                     | -                  | -                     |
| Bills payable   | -                  | -                     | -                  | -                     |
| Saving deposits   | -                  | -                     | -                  | -                     |
| Fixed deposits  | -                  | -                     | -                  | -                     |
| Other deposits  | -                  | -                     | -                  | -                     |
|   | -                  | -                     | -                  | -                     |
| <b>Foreign currency:</b>  |                    |                       |                    |                       |
| Current and other accounts  | 87,356             | 7,333,527             | 273,759            | 22,776,748            |
| Bills payable   | -                  | -                     | -                  | -                     |
| Saving deposits   | -                  | -                     | -                  | -                     |
| Fixed deposits  | 8,408,596          | 705,901,654           | 7,318,363          | 608,887,824           |
| Other deposits  | 86,896             | 7,294,913             | -                  | -                     |
|   | <b>8,582,848</b>   | <b>720,530,094</b>    | <b>7,592,122</b>   | <b>631,664,572</b>    |
| <b>Total Deposit and other accounts</b>                                 | <b>8,582,848</b>   | <b>720,530,094</b>    | <b>7,592,122</b>   | <b>631,664,572</b>    |
| <b>8 Other liabilities</b>  |                    |                       |                    |                       |
| Provisions for loans and advances                                       | 3,635,349          | 305,187,551           | 2,793,162          | 232,391,101           |
| Provision on interest receivable  | 19,781             | 1,660,596             | -                  | -                     |
| Interest payable  | 4,044,215          | 339,511,841           | 3,269,721          | 272,040,812           |
| Provision for taxation  | 805,320            | 67,606,624            | 812,580            | 67,606,624            |
| Interest suspense   | 15,051             | 1,263,526             | 5,009              | 416,738               |
| Stamp charge realization from loan clients-OBUE                         | 1,240              | 104,098               | 1,767              | 147,014               |
| Payable to on-shore   | 14,022,012         | 1,174,524,944         | 14,217,447         | 1,182,891,586         |
| Others payable  | 825,737            | 70,194,992            | 16,082             | 1,338,033             |
|   | <b>23,368,705</b>  | <b>1,960,054,172</b>  | <b>21,115,768</b>  | <b>1,756,831,908</b>  |





## Continuation of Annexure - I

| Particulars  | 2018              |                      | 2017              |                      |
|--|-------------------|----------------------|-------------------|----------------------|
|  | USD               | Taka                 | USD               | Taka                 |
| <b>9 Surplus in profit and loss account/ retained earnings</b> |                   |                      |                   |                      |
| Balance at the beginning of the year                           | 3,505,327         | 291,643,177          | 11,647,035        | 917,204,024          |
| Balance transfer to DBU  | (3,505,327)       | (291,643,177)        | (11,647,035)      | (917,204,024)        |
| Add: Retained surplus for the year                             | 3,990,450         | 339,709,900          | 3,505,327         | 291,643,177          |
|  | <u>3,990,450</u>  | <u>339,709,900</u>   | <u>3,505,327</u>  | <u>291,643,177</u>   |
| <b>10 Interest income</b>                                      |                   |                      |                   |                      |
| Interest on loans and advances                                 | 8,611,013         | 721,161,921          | 7,971,796         | 663,253,456          |
| Interest on bill discounted                                    | 11,117,374        | 930,854,963          | 8,464,265         | 704,226,866          |
|  | <u>19,728,387</u> | <u>1,652,016,884</u> | <u>16,436,061</u> | <u>1,367,480,322</u> |
| <b>11 Interest paid on deposits and borrowing etc.</b>         |                   |                      |                   |                      |
| Interest on deposits   | 229,732           | 19,249,926           | 273,690           | 22,771,022           |
| Interest on borrowing from banks & FIs                         | 15,055,625        | 1,257,676,520        | 13,173,194        | 1,096,009,689        |
| Interest on money at call and short notice                     | 9,444             | 789,908              | 83,820            | 6,973,865            |
|  | <u>15,294,801</u> | <u>1,277,716,354</u> | <u>13,530,704</u> | <u>1,125,754,576</u> |
| <b>12 Commission, exchange and brokerage</b>                   |                   |                      |                   |                      |
| Commission from letters of credit-foreign                      | 118,424           | 9,896,081            | 234,449           | 19,506,149           |
| Import and export related fees                                 | 320,828           | 26,808,077           | 389,580           | 32,413,052           |
| Syndication fees   | 285,016           | 23,774,958           | 66,683            | 5,548,052            |
| Other fees   | -                 | -                    | -                 | -                    |
|  | <u>724,268</u>    | <u>60,479,116</u>    | <u>690,712</u>    | <u>57,467,253</u>    |
| <b>13 Other operating income</b>                               |                   |                      |                   |                      |
| Miscellaneous Income   | 330,026           | 30,768,312           | -                 | -                    |
|  | <u>330,026</u>    | <u>30,768,312</u>    | <u>-</u>          | <u>-</u>             |
| <b>14 Rent, taxes, insurance, electricity etc.</b>             |                   |                      |                   |                      |
| Rent, rates and taxes  | 65,345            | 5,475,736            | 32,243            | 2,682,625            |
| Insurance  | 1,392             | 116,700              | 1,036             | 86,212               |
| Power and electricity  | 12,488            | 1,046,698            | 5,019             | 417,581              |
| WASA and Sewerage  | 2,096             | 175,670              | 340               | 28,303               |
|  | <u>81,321</u>     | <u>6,814,804</u>     | <u>38,638</u>     | <u>3,214,721</u>     |
| <b>15 Postage, stamp, telecommunication etc.</b>               |                   |                      |                   |                      |
| Postage and courier  | 553               | 46,344               | 0.2               | 17                   |
| Court fees & stamps  | 13                | 1,112                | 1                 | 109                  |
| Telegram, telex, fax & Network                                 | -                 | -                    | 33                | 2,751                |
| Telephone-Office   | 3,587             | 300,533              | 2,404             | 199,993              |
|  | <u>4,153</u>      | <u>347,989</u>       | <u>2,438</u>      | <u>202,870</u>       |





## Continuation of Annexure - I

| Particulars  | 2018           |                   | 2017             |                     |
|--|----------------|-------------------|------------------|---------------------|
|  | USD            | Taka              | USD              | Taka                |
| <b>16 Stationery, printing, advertisement etc.</b> |                |                   |                  |                     |
| Stationery and Printing                            | 13,442         | 1,126,296         | 15,613           | 1,298,987           |
| Security Stationery                                | -              | -                 | 944              | 78,505              |
|  | <u>13,442</u>  | <u>1,126,296</u>  | <u>16,557</u>    | <u>1,377,492</u>    |
| <b>17 Provisions for loans and advances</b>        |                |                   |                  |                     |
| For classified loans and advances                  | 48,352         | 4,002,655         | (2,514)          | (209,219)           |
| For unclassified loans and advances                | 801,779        | 67,594,895        | (397,787)        | (33,095,840)        |
|  | <u>850,131</u> | <u>71,597,550</u> | <u>(400,301)</u> | <u>(33,305,059)</u> |

**18 Provision for tax**

Offshore Banking Unit (OBU) is an integral business unit of the Bank. The income from OBU is included in the separate financial statement of the Bank and tax has been provided on total income of the Bank including income from OBU. Hence provision for tax has not been calculated for OBU portion separately.





**Rahman Rahman Huq**  
**Chartered Accountants**  
9 & 5 Mohakhali C/A  
Dhaka 1212  
Bangladesh

Telephone +880 (2) 988 6450-2  
Fax +880 (2) 988 6449  
E-mail dhaka@kpmg.com  
Internet www.kpmg.com/bd

### To whom it may concern

This is to certify that as detailed in the Annexure J, BRAC Bank Limited made the custodian transactions on account of custodian services provided during the year ended 31 December 2018, which have been verified with the books of account, invoices and other related documents as produced to us for our verification.

We also certify that management of the Bank prepared and fairly presented of the income and expenses in accordance with the requirement of the Securities and Exchange Commission (Securities Custodian Service) Rules 2003, and made necessary disclosures in the Bank's audited financial statements for the year ended 31 December 2018.

**Rahman Rahman Huq**  
Chartered Accountants

Dhaka, 21 March 2019



**BRAC Bank Limited**  
**Custodian service**  
**For the year ended 31 December 2018**

| Particulars                                  | 2018<br>Taka      | 2017<br>Taka      |
|--|-------------------|-------------------|
| <b>Operating income</b>                      |                   |                   |
| Commission, exchange and brokerage           | 16,682,231        | 14,477,560        |
| <b>Total operating income</b>                | <b>16,682,231</b> | <b>14,477,560</b> |
| <b>Operating expenses</b>                    |                   |                   |
| Salaries and allowances                      | 4,755,272         | 3,720,000         |
| Rent, taxes, insurance, electricity etc.     | 840,931           | 344,399           |
| Postage, stamps, telecommunication etc.      | 349,290           | 215,625           |
| Stationery, printing, advertisement etc.     | 2,353,027         | 88,211            |
| Depreciation on and repairs to bank's assets | 566,906           | 249,772           |
| Other expenses                               | 1,846,589         | 863,119           |
| <b>Total operating expenses</b>              | <b>10,712,015</b> | <b>5,481,126</b>  |
| <b>Operating profit</b>                      | <b>5,970,216</b>  | <b>8,996,434</b>  |



**BRAC Bank Limited**  
**Details of transactions with related parties**  
**For the year ended 31 December 2018**

| SL No. | Name of the related parties                           | Balance type       | Opening balance on 01 Jan 2018 | Deposit made/Loan disbursed | Deposit withdrawn/ Loan recovery | Interest Paid on Deposit/ Interest Charged on Loan | Fees/ Commission Charged | Closing balance on 31 Dec 2018 |
|--------|---|--------------------|--------------------------------|-----------------------------|----------------------------------|--|--------------------------|--------------------------------|
| 1      | bKash Limited   | Deposits           | 963,530,714                    | 77,651,339,376              | (77,852,810,960)                 | 36,609,969   | (28,264)                 | 798,640,835                    |
| 2      | BRAC and its associated organization                  | Deposits           | 6,322,024,383                  | 104,077,377,851             | (103,950,438,455)                | 193,980,493  | (553,108)                | 6,642,391,164                  |
| 3      | BRAC EPL Investments Limited                          | Deposits           | 6,288,274                      | 3,394,309,516               | (3,392,721,797)                  | 106,228  | (5,398)                  | 7,976,823                      |
| 4      | BRAC EPL Stock Brokerage Limited                      | Deposits           | 41,258,382                     | 406,210,718                 | (344,868,621)                    | 1,234,713  | (13,624)                 | 103,821,568                    |
| 5      | BRAC IT Services Limited (bITS)                       | Deposits           | 52,842,801                     | 245,817,733                 | (245,839,442)                    | -  | (4,523)                  | 52,816,569                     |
| 6      | BRAC SAAJAN Exchange Limited                          | Deposits           | 16,815,498                     | 28,627,502,890              | (28,430,402,203)                 | -  | (3,448,060)              | 210,468,125                    |
| 7      | Industrial and Infrastructure Dev. Finance Co Limited | Deposits           | 5,820,890                      | 27,013,730                  | (28,864,700)                     | -  | (1,030)                  | 3,968,890                      |
| 8      | Sajida Foundation                                     | Deposits           | 108,148,622                    | 7,852,881,327               | (7,793,013,725)                  | 854,895  | (124,891)                | 168,740,228                    |
| 9      | BRAC  | Loans and advances | 4,775,934                      | 3,616,474,297               | (105,750,000)                    | 79,300,424   | -                        | 3,594,800,655                  |
| 10     | BRAC EPL Investments Limited                          | Loans and advances | 992,113,639                    | 232,911,548                 | (39,196,250)                     | 83,436,872   | -                        | 1,269,265,809                  |
| 11     | Sajida Foundation                                     | Loans and advances | 952,467,612                    | 1,457,897,180               | (52,819,444)                     | 37,785,833   | -                        | 2,395,331,181                  |





**Appendix - A**

**Audited financial statements  
of  
BRAC EPL Investments Limited**

---

**Auditor's Report  
and  
Audited Financial Statements  
of  
BRAC EPL Investments Limited**

**For the period ended 31 December 2018**

**A. QASEM & Co.**

Chartered Accountants

Since 1953

A member firm of  
Ernst & Young Global Limited





## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of BRAC EPL Investments Limited

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of BRAC EPL Investments Limited (the Company), which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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 present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), Bangladesh Securities and Exchange Commission (BSEC) 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 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 auditor's report thereon. The Annual Report of its parent-BRAC Bank Limited is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover 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.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement 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 Company'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 Company 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 entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



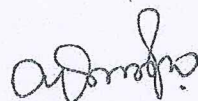
**Report on Other Legal and Regulatory Requirements**

We as required by the Companies Act, 1994, the Securities and Exchange Commission Act, 1993 and the Securities and Exchange Commission Rules, 1987 and other applicable laws and regulations.

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 purposes of our audit and made due verification thereof;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- (iii) The Company's statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- (iv) The expenditure incurred was for the purposes of the Company's business.

Dated, Dhaka  
31 January 2019


  
A. Qasem & Co.  
Chartered Accountants

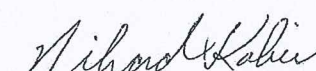
**BRAC EPL Investments Limited**  
**Statement of Financial Position**  
**As at 31 December 2018**

| Assets  | Notes | 2018<br>Taka         | 2017<br>Taka         |
|---|-------|----------------------|----------------------|
| <b>Non-current assets</b>                       |       |                      |                      |
| Property, plant and equipment                   | 5     | 8,872,028            | 7,203,370            |
| Investment in associate company                 | 6     | 15,676,040           | 15,526,676           |
| Deferred tax assets                             | 7     | 282,156,146          | 282,647,551          |
|   |       | <u>306,704,215</u>   | <u>305,377,597</u>   |
| <b>Current assets</b>                           |       |                      |                      |
| Account receivables                             | 8     | 27,928,847           | 16,528,035           |
| Inter-company receivables                       | 9     | 21,022               | 2,101,350            |
| Other receivables                               |       | 10,376,907           | 3,246,315            |
| Investment in quoted securities                 | 10    | 1,142,452,451        | 1,356,164,306        |
| Advance income tax                              | 11    | 18,608,816           | 14,748,510           |
| Loans and advances to customers                 | 12    | 1,703,219,146        | 1,722,386,221        |
| Accrued interest and management fees receivable | 13    | 332,702,889          | 313,417,017          |
| Advances, deposits and prepayments              | 14    | 5,688,435            | 7,180,295            |
| Cash and cash equivalents                       | 15    | 14,054,573           | 40,721,893           |
|   |       | <u>3,255,053,087</u> | <u>3,476,493,943</u> |
| <b>Total assets</b>                             |       | <u>3,561,757,301</u> | <u>3,781,871,540</u> |
| <b>Equity and Liabilities</b>                   |       |                      |                      |
| <b>Shareholders' equity</b>                     |       |                      |                      |
| Share capital                                   | 16    | 2,585,000,000        | 2,585,000,000        |
| Share premium                                   |       | 436,825,951          | 436,825,951          |
| Retained earnings                               |       | (1,907,652,764)      | (1,689,313,634)      |
| <b>Shareholders' equity</b>                     |       | <u>1,114,173,187</u> | <u>1,332,512,317</u> |
| <b>Current liabilities</b>                      |       |                      |                      |
| Customer deposits                               | 17    | 94,838,032           | 343,191,760          |
| Bank overdrafts                                 | 18    | 799,265,809          | 772,117,975          |
| Short term loan                                 | 19    | 470,000,000          | 220,000,000          |
| Account payables                                | 20    | 9,716,578            | 31,934,404           |
| Other liabilities                               | 21    | 1,069,765,583        | 1,079,046,889        |
| Provision for taxation                          | 22    | 2,970,757            | 2,072,644            |
| Inter-company payable                           | 23    | 1,027,356            | 995,551              |
|   |       | <u>2,447,584,114</u> | <u>2,449,359,223</u> |
| <b>Total equity and liabilities</b>             |       | <u>3,561,757,301</u> | <u>3,781,871,540</u> |

These financial statements should be read in conjunction with annexed notes 1 to 34

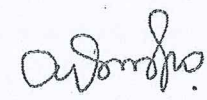
  
Chief Executive Officer

  
Director

  
Chairman

Dated, Dhaka  
31 January 2019



  
A. Qasem & Co.  
Chartered Accountants

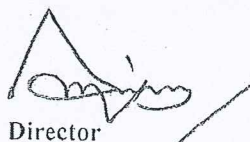


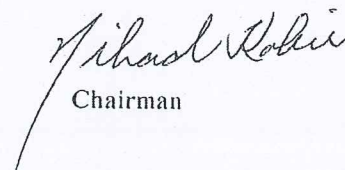
**BRAC EPL Investments Limited**  
**Statement of Profit or Loss & Other Comprehensive Income**  
**For the year ended 31 December 2018**

|  | Notes | 2018<br>Taka         | 2017<br>Taka         |
|--|-------|----------------------|----------------------|
| <b>Revenue</b>   |       |                      |                      |
| Interest income from margin loan                         |       | 73,782,773           | 156,836,025          |
| Interest expenses  | 24    | (115,227,974)        | (75,887,801)         |
| <b>Net interest income (A)</b>                           |       | <b>(41,445,201)</b>  | <b>80,948,224</b>    |
| Fee and commission income                                | 25    | 39,261,163           | 71,649,270           |
| Fee and commission expenses                              | 26    | (8,406,656)          | (23,011,291)         |
| <b>Net fee and commission income (B)</b>                 |       | <b>30,854,507</b>    | <b>48,637,979</b>    |
| (Loss)/gain from investment in securities                | 27    | (173,099,069)        | 158,311,818          |
| Other operating income/(loss)                            | 28    | 27,083,036           | (939,551,130)        |
| <b>Net (loss)/gain from investment in securities (C)</b> |       | <b>(146,016,033)</b> | <b>(781,239,312)</b> |
| <b>Total operating income/(loss) (A+B+C)</b>             |       | <b>(156,606,727)</b> | <b>(651,653,109)</b> |
| Operating expenses                                       | 29    | (56,637,885)         | (95,569,702)         |
| Depreciation & amortization                              | 5     | (2,413,190)          | (2,230,477)          |
| <b>Operating profit/(loss) (D)</b>                       |       | <b>(215,657,802)</b> | <b>(749,453,289)</b> |
| Finance income   |       | 113,116              | 151,748              |
| Financial expenses                                       | 30    | (547,790)            | (665,248)            |
| <b>Net finance income (E)</b>                            |       | <b>(434,674)</b>     | <b>(513,500)</b>     |
| Share of profit of equity in associate company (F)       |       | 149,364              | 157,249              |
| Impairment loss on investment in unquoted securities (G) |       |                      |                      |
| <b>Profit/(loss) before provisions (D+E+F+G)</b>         |       | <b>(215,943,112)</b> | <b>(749,809,540)</b> |
| Provision for loans and advances                         | 21.1  |                      |                      |
| <b>Loss before tax</b>                                   |       | <b>(215,943,112)</b> | <b>(749,809,540)</b> |
| Tax expenses   | 31    | 2,396,018            | (259,947,464)        |
| <b>Loss after tax</b>                                    |       | <b>(218,339,130)</b> | <b>(489,862,076)</b> |
| Other comprehensive Income                               |       |                      |                      |
| <b>Total loss</b>  |       | <b>(218,339,130)</b> | <b>(489,862,076)</b> |

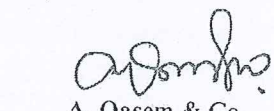
These financial statements should be read in conjunction with annexed notes 1 to 34

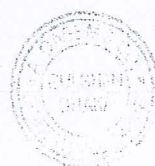
  
**Chief Executive Officer**

  
**Director**

  
**Chairman**

Dated, Dhaka  
31 January 2019

  
**A. Qasem & Co.**  
**Chartered Accountants**

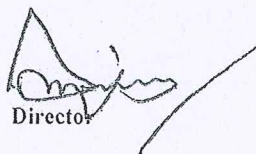


**BRAC EPL Investments Limited**  
**Statement of Changes in Equity**  
**For the year ended 31 December 2018**

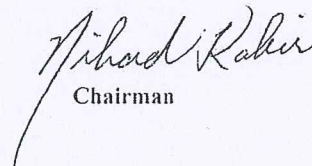
| Particulars                                  | Amount in Taka |               |                   |               |
|--|----------------|---------------|-------------------|---------------|
|  | Share capital  | Share premium | Retained earnings | Total         |
| Balance as on 1 January 2017                 | 2,585,000,000  | 436,825,951   | (1,199,451,558)   | 1,822,374,393 |
| Total comprehensive income for the year 2017 | -              | -             | (489,862,076)     | (489,862,076) |
| Balance as on 31 December 2017               | 2,585,000,000  | 436,825,951   | (1,689,313,634)   | 1,332,512,317 |
| Total comprehensive income for the year 2018 | -              | -             | (218,339,130)     | (218,339,130) |
| Balance as on 31 December 2018               | 2,585,000,000  | 436,825,951   | (1,907,652,764)   | 1,114,173,187 |



Chief Executive Officer




Director



Chairman

Dated, Dhaka  
31 January 2019



A. Qasem & Co.  
Chartered Accountants





**BRAC EPL Investments Limited****Statement of Cash Flows**

For the year ended 31 December 2018

**A. Operating activities**

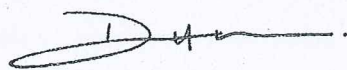
|   | 2018<br>Taka         | 2017<br>Taka         |
|---|----------------------|----------------------|
| Net profit before tax   | (215,943,112)        | (749,809,540)        |
| <i>Add: Items not involving in movement of cash:</i>                  |                      |                      |
| Depreciation on property, plant and equipment                         | 2,295,885            | 2,178,341            |
| Amortization of intangible asset                                      | 117,305              | 52,136               |
| Gain on disposal of property, plant and equipment                     | (2,842,200)          |                      |
| Bad debt expenses   |                      | 18,884,606           |
| Fair value adjustments for fall in values of investment in securities | 192,772,006          | (58,596,125)         |
| Share of profit of equity in associate company                        | (149,364)            | (157,249)            |
|   | <u>192,193,632</u>   | <u>(37,638,291)</u>  |
| Income tax paid   | (4,866,806)          | (10,167,876)         |
| <i>Operating (loss)/profit before changes in working capital</i>      | <u>(28,616,285)</u>  | <u>(797,615,707)</u> |
| Changes in working capital :  |                      |                      |
| (Increase)/decrease in loan and advances to customers                 | 19,167,075           | 1,894,001,998        |
| (Increase)/decrease in accrued interest and mgt. fees receivable      | (19,285,872)         | 415,189,619          |
| (Increase)/decrease in account receivables                            | (11,400,812)         | (5,853,422)          |
| (Increase)/decrease in advance, deposits and prepayments              | 1,491,860            | (3,924,044)          |
| (Increase)/decrease in inter-company receivable                       | 2,080,328            | (837,109)            |
| (Increase)/decrease in other receivables                              | (7,130,592)          | (3,246,315)          |
| Increase/(decrease) in customer deposits                              | (248,353,728)        | 276,558,077          |
| Increase/(decrease) in account payables                               | (22,217,826)         | (14,776,561)         |
| Increase/(decrease) in inter-company payable                          | 31,805               | 84,085               |
| Increase/(decrease) in other liabilities                              | (9,281,306)          | 860,728              |
|   | <u>(294,899,068)</u> | <u>2,558,057,055</u> |
| <i>Net cash (used)/from operating activities (A)</i>                  | <u>(323,515,353)</u> | <u>1,760,441,348</u> |


**B. Cash flows from Investing activities:**


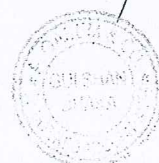
|  |                   |                        |
|--|-------------------|------------------------|
| Acquisition of property, plant and equipment     | (4,081,850)       | (438,328)              |
| Disposal of property, plant and equipment        | 2,842,200         | -                      |
| Sale/(purchase) of investment securities         | 20,939,849        | (1,183,285,188)        |
| <i>Net cash used in investing activities (B)</i> | <u>19,700,199</u> | <u>(1,183,723,517)</u> |

**C. Cash flows from Financing activities**

|  |                     |                      |
|--|---------------------|----------------------|
| Receipt/(repayment) of bank overdraft                    | 27,147,834          | (164,239,593)        |
| Receipt/(repayment) of short term loans                  | 250,000,000         | (559,211,617)        |
| Receipt/(repayment) of revolving time loan               |                     | -                    |
| Capital lease obligation paid                            |                     | -                    |
| Share Capital Increased                                  |                     | -                    |
| <i>Net cash from/(used) in financing activities (C)</i>  | <u>277,147,834</u>  | <u>(723,451,210)</u> |
| <i>Net decrease in cash and cash equivalents (A+B+C)</i> | <u>(26,667,321)</u> | <u>(146,733,378)</u> |
| Cash and cash equivalents at the beginning of the year   | 40,721,893          | 187,455,271          |
| Cash and cash equivalents at the end of the year         | <u>14,054,573</u>   | <u>40,721,893</u>    |

  
 Chief Executive Officer

  
 Director

  
 Chairman




**BRAC EPL Investments Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

**1.0 Background and legal status**

BRAC EPL Investments Limited (hereinafter referred to as "the Company" or BEIL ) was incorporated in Bangladesh on 18 April 2000 as a private limited company under the Companies Act 1994 initially in the name of Equity Partners Limited, the name of which was changed to BRAC EPL Investments Limited on 4 October 2009. BRAC Bank Limited acquired 51% of its equity in August 2009 and a further 25% in May 2011. In 30 June 2016 BRAC Bank Limited subscribed 200 million shares further to increase BEIL's paid up capital. BRAC Bank Limited currently holding 99.85% of shares of BEIL's total subscribed shares. On 11 February 2010 a new Merchant Banker Registration Certificate was issued in favour of BRAC EPL Investments Limited which allows the organization to perform the various activities including issue management, underwriting and portfolio management. The company was converted to a public limited company on 4 November 2012. The registered office of the Company is located at Concord Baksh Tower, 8 th floor, Plot 11/A, Road-48, Kamal Atartuk Avenue, Gulshan-2. Dhaka-1212

**1.1 Nature of business**

BEIL delivers a whole range of investment banking services including traditional merchant banking activities such as issue management, underwriting and portfolio management. The Company also delivers value-added services such as wealth management, corporate advisory and corporate finance.

**2.0 Basis of preparation of financial statements**

**2.1 Statement of compliance**

The financial statements of the Company have been prepared on going concern basis under the historical cost convention in accordance with International Financial Reporting Standards (IFRSs), the Companies Act 1994, Securities & Exchange Commission Ordinance-1969, Securities & Exchange Commission Act 1993, Depository (User) Regulation-2003 and other applicable laws and regulations.

**2.2 Basis of measurement**

The financial statements have been prepared on the historical cost basis except for investments in quoted shares which have been measured at "Marked to Market" in accordance with IFRS 9: *Financial Instruments*.

**2.3 Use of estimates and judgments**

The preparation of financial statements in conformity with IFRS 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.

**3.0 Summary of significant accounting policies**

**3.1 Financial assets and liabilities**

***Recognition***

The Company initially recognizes loans and advances and deposits on the date that they are originated. All other financial assets and liabilities are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.





### ***Derecognition***

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

### ***Identification and measurement of impairment***

At each financial position date the Company assesses whether there is an objective evidence that financial assets not carried at fair value through profit and loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower and a significant downturn in the active market for a security.

Impairment losses on financial assets are measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows of that asset. Losses are recognized in statement of comprehensive income and reflected as an allowances against loans and advances.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through statement of comprehensive income.

### **3.2 Recognition of property, plant and equipment (PPE)**

The cost of an item of property, plant and equipment is recognized as an assets if and only if is probable that future economic benefits associated with the item will flow to the entity, and the cost of the item can be measured reliably.

Property, plant and equipment have been accounted for at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs of enhancement of an existing assets are recognized as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to statement of comprehensive income during the financial period in which they are incurred.

### **3.3 Depreciation of property, plant and equipment (PPE)**

The company uses straight line method for charging depreciation. Full month depreciation is charged on additions irrespective of date of its acquisition whereas no depreciation is charged in the month of disposal. The rates of depreciation on various classes of property, plant and equipment are

| <u>Name of the assets</u> | <u>Rates</u> |
|---------------------------|--------------|
| Furniture and fixtures    | 10%-33.33%   |
| Office floor space        | 5%-20%       |
| Motor vehicles            | 20%          |
| Leasehold improvement     | 15%-33.33%   |
| IT equipment              | 10%-50%      |
| Office equipment          | 10%-50%      |
| Software                  | 33.33%       |





### **3.4 Investments**

The Company holds investment securities which are both actively traded in a quoted market and those which are unquoted.

#### **(a) Fair value through profit or loss**

Investments in shares which are actively traded on a quoted market are designated at fair value through statement of comprehensive income. Gains or losses arising from a change in the fair value of such financial assets are recognized in the statement of comprehensive income.

#### **(b) Fair value through other comprehensive income**

Investments in shares which are not actively traded on a quoted market are designated as fair value through OCI. Since their fair values cannot be reliably measured, these are held at cost.

### **3.5 Taxation**

The Company current tax has been calculated on the basis of the Finance Act 2018.

### **3.6 Loans and advances**

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value and subsequently measured at amortized cost.

### **3.7 Customer deposits**

Customer deposits consist of funds provided by customers which have not yet been used to invest in securities. These are initially measured at fair value and subsequently measured at amortized cost.

### **3.8 Provision**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### **3.8.1 Income in suspense**

Income from loans and advances is moved to suspense account when reasonable doubt is established over its recoverability.

### **3.9 Revenue recognition**

#### **3.9.1 Interest income**

Interest income is recognized in the statement of comprehensive income using the effective interest method. Interest is accrued on a daily basis and applied to customer's account every quarter.

Interest income on negative equity accounts is recognised on the basis of expected recovery in the normal course of business.

#### **3.9.2 Fee and commission income**

Fees and commission income are recognized at the later of when the corresponding service is provided and when management feel that all necessary procedures in connection with such activity is completed.

#### **3.9.3 Investment in associates**

Investment in associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 25% to 50% of the voting power of another entity.

#### **3.9.4 Dividend income**

Dividend income is recognized when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities.





### **3.9.5 Finance income**

Finance income comprises of interest income on fixed deposits and savings accounts. Interest income is recognized as it accrues, using the effective interest method.

### **4.0 Financial Risk Management**

The Company has exposure to the following risks from its use of financial instruments:

- \*\* Credit risk
- \*\* Liquidity risk
- \*\* Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors (BOD) has overall responsibility for the establishment and oversight of the Company's risk management framework.

#### **4.1 Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's loans and advances to customers and investment securities. These loans and advances are fully backed by the securities held by the customer as the average margin loan to customer deposit ratio stood at 0.9/1.0.

With respect to credit risk arising from the other financial assets of the Company, the maximum exposure is equal to the carrying amounts of the financial assets.

#### **4.2 Settlement Risk**

The Company's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of losses due to failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For such transactions the Company only allows the purchase of tradable securities if the customer has adequate cash/purchase power beforehand.

#### **4.3 Liquidity Risk**

The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities.

Under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Board.

#### **4.4 Market Risk**

A key market risk for the Company is the volatility in price movements of traded securities. The objectives of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

The Company is subject to various market risks, including risks from interest and currency exchange rates.



#### **4.4.1 Interest Rate Risk**

The Company relies heavily on borrowed funds from the money markets to fund its margin loans. Any hikes in interest rates in the money markets will increase its cost of funds and reduce the interest rate spread that the Company earns on its margin loans.

Interest rate risks are primarily managed through monitoring of interest rate gaps and re-pricing of products in the MANCOM which is the monitoring body for such strategies and is assisted by Treasury on a day-to-day basis.

#### **4.5 Capital Management**

The Company's objective when managing capital is to maintain a capital structure that provides a balance between the risk associated with higher level of borrowings and the advantages and security of a sound capital position.

There were no changes in the BOD's approach to capital management during the year. The Company is not subject to any externally-imposed capital requirements.

#### **4.6 General**

- i) Amounts appearing in these financial statements have been rounded off to the nearest Bangladesh Taka; and
- ii) Figures related to previous year have been rearranged wherever considered necessary to confirm with current year's presentation.





5 Property, plant and equipment- at cost less accumulated depreciation

| Assets                | Cost                      |                           |                            |                             | Rate of depreciation | Depreciation              |                            |                             |  | Amount in Taka                         |  |
|-----------------------|---------------------------|---------------------------|----------------------------|-----------------------------|----------------------|---------------------------|----------------------------|-----------------------------|--|--|--|
|                       | Balance on 1 January 2018 | Additions during the year | Adjustment during the year | Balance on 31 December 2018 |                      | Charged during the Period | Adjustment during the year | Balance on 31 December 2018 | Written down value at 31 December 2018 | Written down value at 31 December 2017 |  |
| Furniture & fittings  | 4,394,050                 | -                         | -                          | 4,394,050                   | 10%-33.33%           | 7,000                     | -                          | 4,338,768                   | 55,282                                 | 62,282                                 |  |
| Office floor space    | 6,348,797                 | -                         | -                          | 6,348,797                   | 5%-20%               | 314,087                   | -                          | 2,722,434                   | 3,626,363                              | 3,940,451                              |  |
| Motor vehicles        | 14,577,281                | 3,847,240                 | 6,320,181                  | 12,104,340                  | 20%                  | 1,789,967                 | 6,320,181                  | 7,260,747                   | 4,843,593                              | 2,786,320                              |  |
| Leasehold improvement | 600,940                   | -                         | -                          | 600,940                     | 15%-33.33%           | -                         | -                          | 600,940                     | -                                      | -                                      |  |
| IT equipment          | 14,233,271                | -                         | -                          | 14,233,271                  | 10%-50%              | 134,119                   | -                          | 14,211,629                  | 21,642                                 | 155,761                                |  |
| Office equipment      | 9,857,480                 | -                         | -                          | 9,857,480                   | 10%-50%              | 50,712                    | -                          | 9,832,111                   | 25,369                                 | 76,081                                 |  |
| Total 2018            | 50,011,819                | 3,847,240                 | 6,320,181                  | 47,538,878                  |                      | 2,295,885                 | 6,320,181                  | 38,966,629                  | 8,572,250                              | 7,020,895                              |  |
| Total 2017            | 97,857,754                | 203,718                   | 48,049,653                 | 50,011,819                  |                      | 2,178,341                 | 48,049,653                 | 42,990,924                  | 7,020,895                              |  |  |

5.1 Intangible assets

| Assets     | Cost                      |                           |                            |                             | Rate of depreciation | Amortization              |                            |                             |  | Amount in Taka                         |  |
|------------|---------------------------|---------------------------|----------------------------|-----------------------------|----------------------|---------------------------|----------------------------|-----------------------------|--|--|--|
|            | Balance on 1 January 2018 | Additions during the year | Adjustment during the year | Balance on 31 December 2018 |                      | Charged during the Period | Adjustment during the year | Balance on 31 December 2018 | Written down value at 31 December 2018 | Written down value at 31 December 2017 |  |
| Software   | 234,610                   | 234,610                   | -                          | 469,220                     | 33.33%               | 117,305                   | -                          | 169,441                     | 299,779                                |  |  |
| Total 2018 | 234,610                   | 234,610                   | -                          | 469,220                     |                      | 117,305                   | -                          | 169,441                     | 299,779                                |  |  |
| Total 2017 | 234,610                   | -                         | -                          | 234,610                     |                      | 52,136                    | -                          | 52,136                      | 182,475                                |  |  |



6 Investment in associate company

BRAC Asset Management Company Limited  
Profit for the period

| Balance as at<br>31 Dec 2018 | Balance as at<br>31 Dec 2017 |
|------------------------------|------------------------------|
| Taka                         | Taka                         |
| 15,526,676                   | 15,369,427                   |
| 149,364                      | 157,249                      |
| <u>15,676,040</u>            | <u>15,526,676</u>            |

In 2010, the company along with other BRAC entities, invested Taka 12,500,000 in BRAC Asset Management Company Limited which represents 25% of the paid up capital of the company. BRAC Asset Management did not start operation during the year 2011 to 31 December 2018 due to pending regulatory approval.

7 Deferred tax assets

|                    |                    |
|--------------------|--------------------|
| <u>282,156,146</u> | <u>282,647,551</u> |
|--------------------|--------------------|

Deferred tax has been recognized in accordance with the provision of IAS 12 based on temporary differences arising due to difference in the carrying amount of the assets or liabilities and their tax base. Related tax income / expense has been recognised in the Profit and Loss account.

7.1 Deferred tax on temporary differences

(i) Deductible temporary differences

Property, plant and equipment

|             |             |
|-------------|-------------|
| (2,606,850) | (3,917,263) |
|-------------|-------------|

(ii) Taxable temporary difference

Finance lease obligations

Net taxable temporary differences

|                    |                    |
|--------------------|--------------------|
| <u>(2,606,850)</u> | <u>(3,917,263)</u> |
|--------------------|--------------------|

Deferred tax asset

|           |             |
|-----------|-------------|
| (977,569) | (1,468,974) |
|-----------|-------------|

Net taxable temporary differences

|             |             |
|-------------|-------------|
| (2,606,850) | (3,917,263) |
|-------------|-------------|

Tax rate

|        |        |
|--------|--------|
| 37.50% | 37.50% |
|--------|--------|

Deferred tax asset as at 31 December

|           |             |
|-----------|-------------|
| (977,569) | (1,468,974) |
|-----------|-------------|

Less: opening balance as at 1 January

|           |           |
|-----------|-----------|
| 1,468,974 | 9,318,000 |
|-----------|-----------|

Deferred tax expense /(income)

|                |                  |
|----------------|------------------|
| <u>491,405</u> | <u>7,849,026</u> |
|----------------|------------------|

7.2 Net Operating loss carry forwards

Operation income/(loss) before provision

|   |               |
|---|---------------|
| - | (749,809,540) |
|---|---------------|

Tax rate

|        |        |
|--------|--------|
| 37.50% | 37.50% |
|--------|--------|

Deferred tax asset as at 31 December

|               |               |
|---------------|---------------|
| (281,178,577) | (281,178,577) |
|---------------|---------------|

Less: opening balance as at 1 January

|   |   |
|---|---|
| - | - |
|---|---|

Deferred tax expense /(income) from operating loss

|  |               |
|--|---------------|
|  | (281,178,577) |
|--|---------------|

Total deferred tax expense /(income)

|                |                      |
|----------------|----------------------|
| <u>491,405</u> | <u>(273,329,551)</u> |
|----------------|----------------------|

8 Account receivables

Portfolio Management Department (PMD) (Note-8.1)

|           |           |
|-----------|-----------|
| 3,528,400 | 3,656,338 |
|-----------|-----------|

Structured Finance Department (SFD) (Note-8.3)

|            |            |
|------------|------------|
| 24,400,447 | 12,871,697 |
|------------|------------|

|                   |                   |
|-------------------|-------------------|
| <u>27,928,847</u> | <u>16,528,035</u> |
|-------------------|-------------------|

8.1 Portfolio Management Department (PMD)

Receivable from brokerage for client trading

|           |           |
|-----------|-----------|
| 3,528,400 | 3,656,338 |
|-----------|-----------|

Receivable from brokerage for own investment

|   |   |
|---|---|
| - | - |
|---|---|

|                  |                  |
|------------------|------------------|
| <u>3,528,400</u> | <u>3,656,338</u> |
|------------------|------------------|

PMD's receivables consist mainly of net receivables from brokers for daily sale and buy transactions of clients. These are cleared every 3 working days.





| Balance as at<br>31 Dec 2018 | Balance as at<br>31 Dec 2017 |
|------------------------------|------------------------------|
| Taka                         | Taka                         |

## 8.2 Structured Finance Department (SFD)

|                         |                   |                   |
|-------------------------|-------------------|-------------------|
| Debt arrangement fees   | 22,096,822        | 10,568,072        |
| Corporate advisory fees | 2,303,625         | 2,303,625         |
|                         | <u>24,400,447</u> | <u>12,871,697</u> |

## 9 Inter-company receivables

|                                       |               |                  |
|---------------------------------------|---------------|------------------|
| BRAC EPL Stock Brokerage Limited      | 21,022        | 34,500           |
| BRAC Asset Management Company Limited | -             | 966,850          |
| BRAC Impact Ventures Limited          | -             | 1,100,000        |
|                                       | <u>21,022</u> | <u>2,101,350</u> |

## 10 Investment in quoted securities

|                      |                      |
|----------------------|----------------------|
| <u>1,142,452,451</u> | <u>1,356,164,306</u> |
|----------------------|----------------------|

The company invests in quoted securities, traded on the secondary capital market in Bangladesh. At the reporting date these are recognized at market value on aggregate basis. As per IFRS 9: Financial Instruments, these have been classified as fair value through profit or loss where gains or losses arising from a change in the fair value of such financial assets are recognized in the statement of comprehensive income.

## 11 Advance income tax

|                                |                   |                   |
|--------------------------------|-------------------|-------------------|
| Opening balance                | 14,748,510        | 16,514,787        |
| Add: paid during the year      | 3,860,306         | 3,469,492         |
|                                | <u>18,608,816</u> | <u>19,984,279</u> |
| Less: adjusted during the year | -                 | 5,235,769         |
|                                | <u>18,608,816</u> | <u>14,748,510</u> |

## 12 Loans and advances to customers

|                                       |                      |                      |
|---------------------------------------|----------------------|----------------------|
| Opening balance                       | 1,722,386,221        | 3,616,388,219        |
| Increase / (decrease) during the year | (19,167,075)         | (1,894,001,998)      |
|                                       | <u>1,703,219,146</u> | <u>1,722,386,221</u> |

At reporting date, the aggregate market value of stocks held in customer portfolios amounted to Tk.1,801,712,947 which exceeded the total margin loans of Tk.1,703,219,146 resulting in an overall surplus of Tk.98,493,801. Management has successfully taken efforts to attract fresh deposits from accountholders and realized outstanding charges.

## 13 Accrued interest and management fees receivable

|                                    |                    |                    |
|------------------------------------|--------------------|--------------------|
| Accrued interest receivable        | 317,373,625        | 290,386,010        |
| Accrued management fees receivable | 15,329,265         | 23,031,008         |
|                                    | <u>332,702,889</u> | <u>313,417,017</u> |

Accrued interest receivable and accrued portfolio management fee is deducted from client's account on every calendar quarter and adjusted with client's purchase power accordingly.

## 14 Advances, deposits and prepayments

|                   |                  |                  |
|-------------------|------------------|------------------|
| Advances          |                  |                  |
| Staff loans       |                  | 28,423           |
| General suppliers | 206,258          | 318,823          |
|                   | <u>206,258</u>   | <u>347,246</u>   |
| Deposits          |                  |                  |
| Regulators        | 314,500          | 314,500          |
| Pre- IPO          | 3,529,965        | 4,713,400        |
|                   | <u>3,844,465</u> | <u>5,027,900</u> |
| Prepayments       |                  |                  |
| Office rent       | 1,637,712        | 1,805,150        |
|                   | <u>5,688,435</u> | <u>7,180,295</u> |



| Balance as at<br>31 Dec 2018 | Balance as at<br>31 Dec 2017 |
|------------------------------|------------------------------|
| Taka                         | Taka                         |

**15 Cash and cash equivalents**

Cash in hand

98,868.00 71,882.00

**Balance with Banks**

BRAC Bank Limited

7,659,807 5,801,776

Standard Chartered Bank

5,211,796 32,034,288

NRB Commercial Bank Limited

511,992 509,053

NRB Bank Limited

1,667 603,317

One Bank Limited

468,854 1,597,554

Standard Bank Limited

5,369 6,539

Midland Bank

96,220 97,485

14,054,573 40,721,893

**16 Share capital**

**16.1 Authorized share capital**

300,000,000 ordinary shares of Taka 10 each

3,000,000,000 3,000,000,000

**16.2 Issued, subscribed and paid-up share capital**

258,500,000 ordinary shares of Taka 10 each

2,585,000,000 2,585,000,000

The company's shareholding position as at 31 December was as follows:

| Name of shareholders          | Nationality/<br>Incorporated<br>in | No of shares       | Face<br>value per<br>share | Amount               | Amount               |
|-------------------------------|------------------------------------|--------------------|----------------------------|----------------------|----------------------|
|                               |                                    |                    |                            | Taka                 | Taka                 |
| BRAC Bank Ltd.                | Bangladesh                         | 258,100,078        | 10                         | 2,581,000,780        | 2,581,000,780        |
| Other individual shareholders | Various                            | 399,922            |                            | 3,999,220            | 3,999,220            |
|                               |                                    | <u>258,500,000</u> |                            | <u>2,585,000,000</u> | <u>2,585,000,000</u> |

As per Form-117, BRAC Bank Limited (hereinafter called the "said Transferee") acquired shares from the minority shareholders on 19th November 2017. Now BRAC Bank Limited currently holding 99.85% of shares of BEIL's total subscribed shares.

**17 Customer deposits**

Opening balance

343,191,760 66,633,683

Change during the year

(248,353,728) 276,558,077

94,838,032 343,191,760

Customer deposits represent un invested funds lying in the company's account at the reporting date.





| Balance as at<br>31 Dec 2018 | Balance as at<br>31 Dec 2017 |
|------------------------------|------------------------------|
| Taka                         | Taka                         |

**18 Bank overdrafts**

|                                |                    |                    |
|--------------------------------|--------------------|--------------------|
| BRAC Bank Limited              | 799,265,809        | 772,117,975        |
| IFIC Bank Limited              |                    |                    |
| One Bank Limited               |                    |                    |
| Standard Bank Limited          |                    |                    |
| United Commercial Bank Limited |                    |                    |
| NRB Commercial Bank Limited    |                    |                    |
|                                | <u>799,265,809</u> | <u>772,117,975</u> |

*The terms and conditions of the bank overdraft are as follows:*

**BRAC Bank Limited**

|                      |  |
|----------------------|--|
| Type of facility     | : Overdraft 1- renewal                                   |
| Facility limit       | : BDT 800,000,000 (BDT eight hundred million) only.      |
| Repayment procedures | : From operational cash flow/or own sources of borrower. |
| Maximum tenor        | : On demand  |
| Purpose              | : To meet day to day operational activities.             |
| Expiry               | : 29 March 2019  |

**19 Short term loan**

**19.1 Opening balance**

Add: received  
during the year

Less: payment

|                      |                      |
|----------------------|----------------------|
| 470,000,000          | 220,000,000          |
| <u>220,000,000</u>   | <u>680,000,000</u>   |
| 970,000,000          | 690,000,000          |
| <u>1,190,000,000</u> | <u>1,370,000,000</u> |
| 720,000,000          | 1,150,000,000        |
| <u>470,000,000</u>   | <u>220,000,000</u>   |

*The terms and conditions of the loan taken from BRAC Bank Limited are as follows:*

|                      |  |
|----------------------|--|
| Loan limit           | : BDT 700,000,000 (BDT seven hundred million) only.      |
| Repayment procedures | : From operational cash flow/or own sources of borrower. |
| Maximum tenor        | : 180 days (maximum from date of each disbursement)      |
| Purpose              | : To meet funding requirement for margin lending.        |
| Expiry               | : 29 March 2019  |

**20 Account payables**

|   |                  |                   |
|---|------------------|-------------------|
| Broker for client trading                           | 3,269,339        | 3,408,549         |
| VAT on fee income                                   | 5,791,736        | 4,287,986         |
| Payable for other PMD activities                    | 883              | 6,061             |
| Broker for Own Investment                           |                  | 23,393,695        |
| Tax deducted at source from salaries and allowances | 219,146          | 337,451           |
| Tax deducted at source from suppliers               | 84,093           | 83,126            |
| Withholding VAT on office rent                      | -                | -                 |
| Withholding VAT on suppliers' payments              | 310,534          | 378,728           |
| Tax deducted at source from office rent             | 40,848           | 38,808            |
|   | <u>9,716,578</u> | <u>31,934,404</u> |



| Balance as at<br>31 Dec 2018 | Balance as at<br>31 Dec 2017 |
|------------------------------|------------------------------|
| Taka                         | Taka                         |

## 21 Other liabilities

|  |                      |                      |
|--|----------------------|----------------------|
| Provision for loans and advances (Note 21.1) | 1,059,064,609        | 1,059,064,609        |
| Sales receivable in transit                  | 4,905,854            | 7,403,908            |
| Salaries & Other payable                     | -                    | 6,500,000            |
| CDBL charges                                 | 19,970               | 59,414               |
| Office maintenance                           | 5,068,921            | 5,357,730            |
| Audit fees                                   | 198,000              | 198,000              |
| IT expenses                                  | 211,386              | 211,386              |
| Telephone and mobile expenses                | 21,099               | 21,099               |
| Rent   | 55,813               | 55,813               |
| Security services                            | (4,644)              | (4,644)              |
| Legal and professional fees                  | 215,574              | 170,574              |
| Repair and maintenance                       | -                    | -                    |
| Printing- Postage & Stationery               | 9,001                | 9,001                |
| Advertisement                                | -                    | -                    |
| Other payable                                | -                    | -                    |
|  | <u>1,069,765,583</u> | <u>1,079,046,889</u> |

### 21.1 Provision for loans and advances

|                                    |                      |                      |
|------------------------------------|----------------------|----------------------|
| Opening balance                    | 1,059,064,609        | 1,059,064,609        |
| Provision made during the year     | -                    | -                    |
| Provision released during the year | -                    | -                    |
| Closing balance                    | <u>1,059,064,609</u> | <u>1,059,064,609</u> |

A provision has been made of BDT 1,059,064,609 which represents 52% of the total shortfall between the aggregate value of the portfolio and the loans extended on these accounts. BSEC circular SEC/CMRRCD/2009-193/196 dated 28 December 2016 requires a 20% provision on such shortfall at 31 December 2016.

## 22 Provision for taxation

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Opening balance                      | 2,072,644        | 624,709          |
| Add : provision made during the year | 898,113          | 2,072,644        |
|                                      | <u>2,970,757</u> | <u>2,697,353</u> |
| Less: paid/adjusted during the year  | -                | 624,709          |
|                                      | <u>2,970,757</u> | <u>2,072,644</u> |

## 23 Inter-company payable

|                                       |                  |                |
|---------------------------------------|------------------|----------------|
| BRAC Asset Management Company Limited | 400,000          | -              |
| BRAC EPL Stock Brokerage Ltd.         | 627,356          | 995,551        |
|                                       | <u>1,027,356</u> | <u>995,551</u> |

## 24 Interest expenses

|                       |                    |                   |
|-----------------------|--------------------|-------------------|
| BRAC Bank Limited     | 115,227,974        | 74,717,324        |
| Standard Bank Limited | -                  | 1,170,477         |
|                       | <u>115,227,974</u> | <u>75,887,801</u> |

## 25 Fee and commission income

|   |                   |                   |
|---|-------------------|-------------------|
| Portfolio Management Department (PMD) (note-25.1) | 25,791,163        | 69,349,270        |
| Structured Finance Department (SFD) (note-25.2)   | 13,470,000        | 2,300,000         |
|   | <u>39,261,163</u> | <u>71,649,270</u> |

### 25.1 Portfolio Management Department (PMD)

|                            |                   |                   |
|----------------------------|-------------------|-------------------|
| Settlement fees            | 15,574,432        | 45,877,571        |
| Management fees            | 9,944,911         | 23,013,659        |
| BO maintenance fees        | 231,050           | 407,900           |
| Documentation fees         | 16,300            | 39,200            |
| Commission income from IPO | 24,470            | 10,940            |
|                            | <u>25,791,163</u> | <u>69,349,270</u> |





## 25.2 Structured Finance Department (SFD)

|                         |                   |                  |
|-------------------------|-------------------|------------------|
| Debt arrangement fees   | 11,625,000        | 500,000          |
| Corporate advisory fees | 1,845,000         | 1,800,000        |
|                         | <u>13,470,000</u> | <u>2,300,000</u> |

## 26 Fee and commission expenses

|                           |                  |                   |
|---------------------------|------------------|-------------------|
| Brokerage commission cost | 8,406,656        | 23,011,291        |
|                           | <u>8,406,656</u> | <u>23,011,291</u> |

## 27 (Loss)/Income from investment in securities

|   |                      |                    |
|---|----------------------|--------------------|
| Realized (loss)/ gain during the year   | 19,672,937           | 99,715,693         |
| Fair value adjustment at reporting date | (192,772,006)        | 58,596,125         |
|   | <u>(173,099,069)</u> | <u>158,311,818</u> |

## 28 Other operating income/(loss)

|   |                   |                      |
|---|-------------------|----------------------|
| Dividend income   | 24,240,836        | 19,218,830           |
| Interest income on staff loan   | -                 | 7,817                |
| Gain on disposal of property, plant and equipment   | 2,842,200         | -                    |
| Unrealized Interest and fees from negative equities customers written-off during the year | -                 | (958,781,777)        |
| Others  | -                 | 4,000                |
|   | <u>27,083,036</u> | <u>(939,551,130)</u> |

## 29 Operating expenses

|   |                   |                   |
|---|-------------------|-------------------|
| Salaries and allowances                     | 31,895,367        | 35,655,955        |
| Other personnel expenses                    | 1,939,633         | 11,315,735        |
| Rental expenses                             | 9,446,816         | 8,984,540         |
| Utilities, maintenance and running expenses | 7,165,781         | 6,105,168         |
| CDBL expenses                               | 537,164           | 1,823,915         |
| Legal and professional fees                 | 1,578,100         | 1,896,700         |
| Telephone, communication and IT expenses    | 1,400,862         | 2,201,216         |
| Bad debt expenses                           | -                 | 18,884,606        |
| Printing and stationery                     | 318,137           | 373,834           |
| Travelling and conveyance                   | 168,844           | 279,653           |
| Vehicle maintenance expenses                | 298,544           | 1,171,040         |
| Entertainment expenses                      | 359,928           | 4,783,628         |
| Training and development expenses           | -                 | 92,950            |
| Meeting expenses                            | 308,334           | 359,667           |
| License and renewal fees                    | 242,392           | 257,572           |
| Audit fees                                  | 253,000           | 253,000           |
| Regulatory fees                             | 200,000           | 157,500           |
| Insurance                                   | 524,983           | 973,023           |
|   | <u>56,637,885</u> | <u>95,569,702</u> |

## 30 Financial expenses

|                             |                |                |
|-----------------------------|----------------|----------------|
| Bank charges and commission | 547,790        | 665,248        |
|                             | <u>547,790</u> | <u>665,248</u> |



| Balance as at<br>31 Dec 2018 | Balance as at<br>31 Dec 2017 |
|------------------------------|------------------------------|
| Taka                         | Taka                         |

**31 Tax expenses**

|                               |                  |                      |
|-------------------------------|------------------|----------------------|
| Prior year taxes              | 1,006,500        | 11,309,444           |
| Current year taxes            | 898,113          | 2,072,644            |
| Deferred tax (income)/expense | 491,405          | (273,329,551)        |
|                               | <u>2,396,018</u> | <u>(259,947,464)</u> |

**32 Number of employees**

During the period 29 permanent employees were in the employment with the company whose earning was Taka 36,000 or more per annum.

**33 Related party transactions**

During the year, the company carried out a number of transactions with related parties in the normal course of business. In accordance with the provisions of IAS 24 : Related party disclosure, these are detailed below.

| Name of party                      | Nature of transactions | 2018<br>Taka  | 2017<br>Taka   |
|------------------------------------|------------------------|---------------|----------------|
| BRAC Bank Limited                  | Loans and borrowings   | 1,269,265,809 | 992,117,975.00 |
| BRAC EPL Stock Brokerage Limited   | Expenses payable       | 627,356       | 995,551        |
| BRAC EPL Stock Brokerage Limited   | Receivable             | 21,022        | 34,500         |
| BRAC Asset Management Company Ltd. | Reimbursable expenses  |               | 966,850        |
| BRAC Asset Management Company Ltd. | Expense payable        | 400,000       | -              |
| BRAC IT Services Limited           | Internet exp payable   | -             | 23,800         |

**34 Events after the reporting date**

No subsequent events were noted for which adjustments or disclosures are required in accordance with IAS 10.





**Appendix - B**

**Audited financial statements  
of  
BRAC EPL Stock Brokerage Limited**

**Auditor's Report  
&  
Audited Financial Statements  
of  
BRAC EPL Stock Brokerage Limited  
For the year ended 31 December 2018**



## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of BRAC EPL Stock Brokerage Limited

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of BRAC EPL Stock Brokerage Limited (the Company), which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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 present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), Bangladesh Securities and Exchange Commission (BSEC) 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 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 auditor's report thereon. The Annual Report of its parent-BRAC Bank Limited is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover 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.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 misstatements, 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 consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement 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 Company'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 Company 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 entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

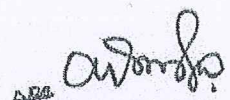


**Report on Other Legal and Regulatory Requirements**

In accordance with the Companies Act, 1994, the Securities and Exchange Commission Act, 1993 and the Securities and Exchange Commission Rules, 1987, we also report the following:

- (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- (iii) The Company's statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- (iv) The expenditure incurred was for the purposes of the Company's business.

Dated, Dhaka  
10 March 2019

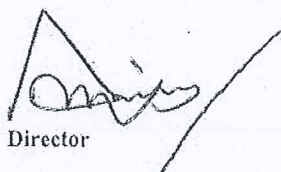
  
A. Qasem & Co.  
Chartered Accountants

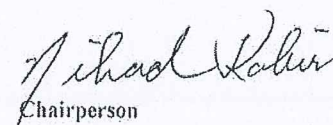
**BRAC EPL Stock Brokerage Limited**  
**Statement of Financial Position**  
**As at 31 December 2018**

| Assets                               | Notes | 2018<br>Taka         | 2017<br>Taka         |
|--------------------------------------|-------|----------------------|----------------------|
| <b>Non-current assets</b>            |       |                      |                      |
| Property, plant and equipment        | 5     | 37,681,920           | 33,875,497           |
| Intangible assets                    | 6     | 922,688              | 327,202              |
| Membership at cost                   | 7     | -                    | 11,027,750           |
| Investment in associate company      | 8     | 15,224,510           | 15,081,120           |
| Investment in DSE & CSE              | 9     | 96,986,595           | 46,009,744           |
| <b>Total non-current assets</b>      |       | <b>150,815,713</b>   | <b>106,321,313</b>   |
| <b>Current assets</b>                |       |                      |                      |
| Investment in shares                 | 10    | 543,827,302          | 509,704,480          |
| Account receivables                  | 11    | 151,190,669          | 1,617,291,759        |
| Inter-company receivables            | 12    | 777,356              | 22,698,404           |
| Margin loan receivables              | 13    | 170,693,561          | 141,341,986          |
| Advances, deposits and prepayments   | 14    | 489,621,906          | 396,249,856          |
| Other receivables                    | 15    | 1,050,428            | 4,458,576            |
| Investment in FDRs                   | 16    | 62,787,881           | 128,977,967          |
| Cash and cash equivalents            | 17    | 446,355,701          | 174,475,837          |
| <b>Total current assets</b>          |       | <b>1,866,304,803</b> | <b>2,995,198,865</b> |
| <b>Total assets</b>                  |       | <b>2,017,120,516</b> | <b>3,101,520,178</b> |
| <b>Equity and liabilities</b>        |       |                      |                      |
| <b>Shareholder's equity</b>          |       |                      |                      |
| Share capital                        | 18    | 700,953,800          | 700,953,800          |
| Retained earnings                    |       | 256,893,197          | 232,929,645          |
| Revaluation reserve for TREC license | 19    | 87,688,970           | -                    |
| <b>Total equity</b>                  |       | <b>1,045,535,967</b> | <b>933,883,445</b>   |
| <b>Non-current liabilities</b>       |       |                      |                      |
| Defined benefit obligations          |       | -                    | 2,392,592            |
|                                      |       | -                    | 2,392,592            |
| <b>Current liabilities</b>           |       |                      |                      |
| Account payables                     | 20    | 440,068,033          | 1,649,696,268        |
| Investment suspense account          | 21    | -                    | 46,009,744           |
| Inter-company payables               | 22    | 571,612              | 2,085,090            |
| Liability for expenses               | 23    | 59,854,256           | 74,110,350           |
| Provision for income tax             | 24    | 471,090,647          | 393,342,689          |
| <b>Total current liabilities</b>     |       | <b>971,584,548</b>   | <b>2,165,244,141</b> |
| <b>Total liabilities</b>             |       | <b>971,584,548</b>   | <b>2,167,636,733</b> |
| <b>Total equity and liabilities</b>  |       | <b>2,017,120,516</b> | <b>3,101,520,178</b> |

The annexed notes 1 to 35 form an integral part of these financial statements.

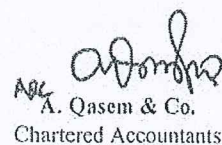
  
Chief Executive Officer

  
Director

  
Chairperson

Dhaka,  
10 March '2019



  
A. Qasem & Co.  
Chartered Accountants



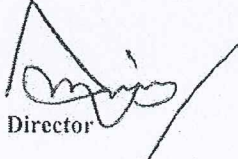
**BRAC EPL Stock Brokerage Limited**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 31 December 2018**

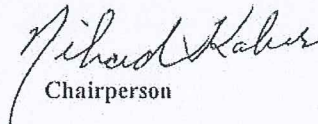
|   | <u>Notes</u> | <u>2018</u><br><u>Taka</u> | <u>2017</u><br><u>Taka</u> |
|---|--------------|----------------------------|----------------------------|
| Service Revenue   | 25           | 494,467,299                | 564,786,185                |
| Direct expenses   | 26           | (142,597,238)              | (138,379,466)              |
| Gross profit  |              | 351,870,061                | 426,406,720                |
| Operating expenses                                      | 27           | (230,818,822)              | (259,974,716)              |
| Operating profit  |              | 121,051,239                | 166,432,004                |
| Other income  | 28           | 2,546,214                  | -                          |
| Finance income  | 29           | (15,231,261)               | 134,369,150                |
| Finance expenses  | 30           | (6,798,071)                | (6,192,929)                |
| Share of profit of equity in associate company          | 8            | 143,389                    | 150,959                    |
| Profit before tax                                       |              | 101,711,509                | 294,759,183                |
| Income tax expenses                                     | 31           | (77,747,957)               | (90,035,120)               |
| Net profit after tax                                    |              | 23,963,552                 | 204,724,064                |
| Other comprehensive income                              |              |                            |                            |
| Items that will never be reclassified to profit or loss |              | -                          | -                          |
| Items that are or may be reclassified to profit or loss |              | -                          | -                          |
| Other comprehensive income, net of tax                  |              | -                          | -                          |
| Total comprehensive income/(loss)                       |              | -                          | -                          |

The annexed notes 1 to 35 form an integral part of these financial statements.

Allocation of income between Brokerage Income and Other than Brokerage Income has been shown in Annexure-1 which is also an integral part of these financial statements.

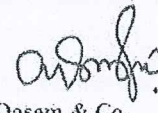
  
Chief Executive Officer

  
Director

  
Chairperson

Dhaka,  
10 March 2019

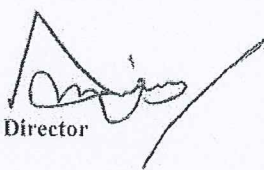


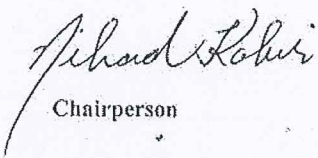
  
A. Qasem & Co.  
Chartered Accountants

**BRAC EPL Stock Brokerage Limited**  
**Statement of Cash Flows**  
**For the year ended 31 December 2018**


|  | 2018<br><u>Taka</u> | 2017<br><u>Taka</u>  |
|--|---------------------|----------------------|
| <b>A. Cash flows from operating activities:</b>        |                     |                      |
| Commission, interest and others received               | 552,255,890         | 608,670,487          |
| Payments for creditors and other expenses              | (379,681,859)       | (414,093,134)        |
| Loans and advances                                     | 240,611,666         | (253,830,651)        |
| Cash generated from operating activities               | <u>413,185,697</u>  | <u>(59,253,298)</u>  |
| Other income   | (3,278,229)         | 160,678,642          |
| Income tax paid  | (84,868,131)        | (78,329,493)         |
| Cash generated used in other operating activities      | <u>(88,146,359)</u> | <u>82,349,149</u>    |
| Net cash flows from operating activities               | <u>325,039,337</u>  | <u>23,095,851</u>    |
| <b>B. Cash flows from investing activities:</b>        |                     |                      |
| Acquisition of fixed assets                            | (14,838,581)        | (21,644,845)         |
| Sale of fixed assets                                   | 2,600,000           | -                    |
| Redemption/investment in zero coupon bond              | -                   | -                    |
| Investment in shares                                   | (34,122,822)        | (231,312,059)        |
| Net cash flows (used)/from investing activities        | <u>(46,361,403)</u> | <u>(252,956,904)</u> |
| <b>C. Cash flows from financing activities:</b>        |                     |                      |
| Finance cost   | (6,798,071)         | (6,192,929)          |
| Net cash used in financing activities                  | <u>(6,798,071)</u>  | <u>(6,192,929)</u>   |
| Net increase in cash and cash equivalents (A+B+C)      | 271,879,863         | (236,053,982)        |
| Cash and cash equivalents at the beginning of the year | <u>174,475,837</u>  | <u>410,529,819</u>   |
| Cash and cash equivalents at the end of the year       | <u>446,355,701</u>  | <u>174,475,837</u>   |

  
**Chief Executive Officer**

  
**Director**

  
**Chairperson**

Dhaka,  
10 March '2019

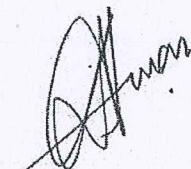
  
AQC  
**A. Qasem & Co.**  
Chartered Accountants

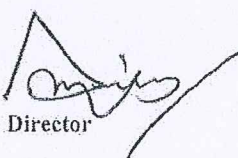


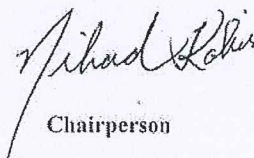


BRAC EPL Stock Brokerage Limited  
Statement of Changes in Equity  
For the year ended 31 December 2018

| Particulars                          | Share capital | Retained earnings | Revaluation reserve for TREC license | Amount in Taka |
|--------------------------------------|---------------|-------------------|--------------------------------------|----------------|
|                                      |               |                   |                                      | Total          |
| Balance as at 1 January 2017         | 451,500,000   | 277,659,381       | -                                    | 729,159,381    |
| Issue of bonus shares                | 249,453,800   | (249,453,800)     | -                                    | -              |
| Net profit for the year ended 2017   | -             | 204,724,064       | -                                    | 204,724,064    |
| Balance as at 31 December 2017       | 700,953,800   | 232,929,645       | -                                    | 933,883,445    |
| Issue of bonus shares                | -             | -                 | -                                    | -              |
| Net profit for the year ended 2018   | -             | 23,963,552        | -                                    | 23,963,552     |
| Revaluation reserve for TREC license | -             | -                 | 87,688,970                           | 87,688,970     |
| Balance as at 31 December 2018       | 700,953,800   | 256,893,197       | 87,688,970                           | 1,045,535,967  |

  
Chief Executive Officer

  
Director

  
Chairperson



**BRAC EPL Stock Brokerage Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

**1 Company and its activities**

**1.1 Background and legal status**

BRAC EPL Stock Brokerage Limited (hereinafter referred to as the "Company" or BESL) was incorporated in Bangladesh on 16 May 2000 as a private limited company under the Companies Act 1994 initially in the name of Equity Partners Securities Limited, the name of which was changed to BRAC EPL Stock Brokerage Limited on 04 October 2009. The registered office of the Company is located at DSE Annex Building, Dhaka.

**1.2 Nature of business**

The main objectives of the Company are to carry on the business of stock brokers/stock dealers and other related business in connection with the dealings of listed securities. Other objectives of the Company are to buy, sell, hold or otherwise acquire or invest the capital of the Company in shares, stocks and fixed income securities, etc. It has corporate membership of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited.

**2 Basis of preparation of financial statements**

**2.1 Components of the financial statements**

The financial statements referred to here comprise:

- a) Statement of Financial Position
- b) Statement of Profit or Loss and Other Comprehensive Income
- c) Statement of Changes in Equity
- d) Statement of Cash Flows; and
- e) Notes to the Financial Statements

**2.2 Reporting Period**

These financial statements cover one calendar year from 1 January 2018 to 31 December 2018.

**2.3 Statement of compliance**

The financial statements of the Company have been prepared on going concern basis under the historical cost convention in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), the Companies Act 1994, the Securities and Exchange Commission Rules 1987 and other applicable laws and regulations applicable in Bangladesh. In case there are differences between IFRS and local statutory requirements, the local regulation has been prevailed.

**2.4 Basis of Measurements**

The financial statements have been prepared on the accrual basis under the historical cost convention except for investment in shares which have been recognized at market price valued on aggregate basis. No adjustments have been made for inflationary factors affecting the financial statements. The accounting policies, unless otherwise stated, have been consistently applied by the Company and are consistent with those of the previous years.





## 2.5 Functional and presentational currency

These financial statements are prepared in Bangladesh Taka (Taka/Tk), which is the company's functional currency. All financial information presented in Taka has been rounded to the nearest integer, except where otherwise indicated.

## 2.6 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.

### 2.6.1 Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in Note 3 – significant accounting policies

### 2.6.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2018 is included in the following notes:

|         |  |
|---------|--|
| Note 5  | Depreciation on property and equipment |
| Note 6  | Amortization of intangible asset       |
| Note 23 | Provision for income tax               |

## 2.7 Going concern

The Company has adequate resources to continue in operation for the foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the financial statements. The current resources of the Company provide sufficient fund to meet the present requirements of its existing business.

## 2.8 Employee benefit Obligation

### 2.8.1 a. Defined contribution plan

The Company operates a contributory provident fund for its permanent employees in accordance with the Provident Fund Rules which is recognized by National Board of Revenue. The fund is administered separately by a Board of Trustees consisting of four members and is funded by the equal contribution both by the Company and employees at a predetermined rate.

### 2.8.2 b. Defined benefit plan (Gratuity scheme)

The Company has a funded gratuity scheme for all permanent employees in accordance with the Gratuity Fund Rules which is approved by National Board of Revenue. Required amount of gratuity is calculated on the basis of last basic pay depending on the length of service for every completed year as well as proportionate to the fraction period of service as of the respective financial year.



### 3 Significant accounting policies

#### 3.1 Property, plant and equipment

##### Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset and bringing to the location and condition necessary for it to be capable of operating in the intended manner. The cost of self constructed asset includes the cost of material, direct labor and any other cost directly attributable to bringing the assets to a working condition for their intended use.

##### Subsequent costs

The costs of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The cost of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

##### Depreciation

The company uses straight line method for charging depreciation. Full month depreciation is charged on additions irrespective of date of its acquisition whereas no depreciation is charged in the month of disposal. The rates of depreciation on various classes of property, plant and equipment are as under:

| Name of the assets              | <u>2018</u><br>Rates (%) | <u>2017</u><br>Rates (%) |
|---------------------------------|--------------------------|--------------------------|
| Office floor space              | 2%                       | 2%                       |
| Furniture and fixture           | 12.50%                   | 12.50%                   |
| Office decoration               | 15%                      | 15%                      |
| Computers and accessories       | 25%                      | 25%                      |
| Air cooler and ceiling fans     | 20%                      | 20%                      |
| Electrical and office equipment | 20%                      | 20%                      |
| Vehicles                        | 20%                      | 20%                      |

##### Retirement and disposals

An asset is derecognized on disposal or when no future economic benefits are expected from its use and subsequent disposal. Gains or losses arising from the retirement or disposal of an asset is determined by the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### 3.2 Intangible assets

##### Recognition and measurement

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

An intangible asset is measured initially at cost. After initial recognition, an intangible asset is carried at its cost less accumulated amortization and accumulated impairment losses (if any).





### **Amortization of intangible assets**

Amortization is recognized in the Statement of Profit or Loss and Other Comprehensive Income on straight line basis from the date that they are available for use. Amortization on intangible assets is charged for the full month from the month of acquisition. In case of disposals, amortization is charged up to the immediate previous month of disposal. The rate of amortization is 33.33% per annum for software. Amortization methods and amortization rate are reviewed at each reporting date and adjusted if appropriate.

### **3.3 Valuation and recognition of investment**

The listed securities are valued at the closing quoted market price only on the Dhaka Stock Exchange on the date of valuation i.e. on 31 December 2018. Resultant unrealized gain/(loss) is calculated on portfolio basis. The Company shall categorize the investments either as "fair value through profit or loss" or as "fair value through other comprehensive income" as it deems prudent according to the provisions of IFRS-9. However, for those IPO shares the trading of which not yet started are shown at cost price.

### **3.4 Financial instruments**

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

#### **(i) Non-derivative financial assets and financial liabilities – recognition and derecognition**

The Company initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### **(ii) Non-derivative financial assets – measurement**

##### **Financial assets at fair value through profit or loss**

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in the Statement of Comprehensive Income.





Financial assets classified as held for trading

- (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Financial assets classified as held-for-trading comprise investments in quoted shares as these shares are acquired principally for the purpose of selling in the near term to earn short-term profit.

#### **Held-to-maturity financial assets**

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, held to maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Held-to-maturity financial assets comprise investments in FDR as the Company has the positive intent and ability to hold them to maturity.

#### **Loans and receivables**

Loans and receivables are financial assets with fixed or predeterminable payment that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, receivable from DSE, receivables from clients, intercompany receivables and other receivables.

#### **Cash and cash equivalents**

In the Statement of Cash Flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

#### **Available-for-sale financial assets**

Available-for-sale financial assets are non derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost.

Subsequent to initial recognition, they are measured at fair value, and changes therein other than impairment losses are recognized in other comprehensive income and presented in the fair value reserve in equity. When an available-for-sale financial asset is derecognized, the gains or losses accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise investments in shares.





### (iii) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

### (iv) Share capital

#### Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognized as a deduction from equity.

## 3.5 Impairment

### (i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- observable data indicating that there is measurable decrease in expected cash flows from a company of financial assets.

#### Financial assets measured at amortized cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.





### Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through Other Comprehensive Income.

### (ii) Non-financial assets

The carrying amount of the non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amounts are estimated. For intangible assets that have indefinite lives, recoverable amount is estimated at each reporting date. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

### 3.6 Investments in associate company

An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor (IAS-28: Accounting for Investments in Associates"). Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. Investment in associate is accounted for in consolidated financial statements under the "equity method". Under the equity method, the investment is initially recorded at cost and the carrying amount is increased or decreased to recognize the investor's share of the profits or losses of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment.

### 3.7 Provisions

The company recognizes provisions only when it has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

### 3.8 Taxation

#### a) Current tax :

Current tax has been made on the basis of the Finance Act 2018. Income tax withheld from the transactions of traded securities in accordance with section 53BBB @ 0.05% is the minimum tax of the Company under section 82C of Income Tax Ordinance (ITO) 1984. Income tax provision is made on capital gains on sale of shares of listed company @ 10% as per SRO No. 269/Law/Income Tax/2010 dated 1 July 2010 whereas it is @ 35% on other than Brokerage income as per tax laws.

#### b) Deferred tax:

The Company is under purview of section 82C of Income Tax Ordinance (ITO) 1984 which is the minimum tax, therefore, no deferred tax is required.





### 3.9 Contingencies

Contingencies arising from claims, litigation assessments, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can reasonably be measured.

#### Contingent liability

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liability should not be recognized in the financial statements, but may require disclosure. A provision should be recognized in the period in which the recognition criteria of provision have been met.

#### Contingent asset

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent asset must not be recognized. Only when the realization of the related economic benefit is virtually certain should recognition take place provided that it can be measured reliably because, at that point, the asset is no longer contingent.

### 3.10 Revenue recognition

Revenue comprises of brokerage commission and gain on sale of shares. Details of revenue recognition policy are given as under:

- (i) Brokerage commission is recognized as income when selling or buying orders are executed.
- (ii) Interest income on FDR and STD accounts is recognized when accrued.
- (iii) Cash dividend income is recognized on the declaration of dividend and subsequent receipt of such dividend; and
- (iv) Stock dividend (bonus shares) have been recognized at zero cost and added with existing shares resulted decrease in per unit cost price of the existing shares.
- (v) Capital gains on sale of shares are recognized both on realization and unrealization.

#### Cost of services

Cost of services includes laga and howla charges of stock exchanges booked on daily basis as per trading after receiving the trade reports and the charges of Central Depository Bangladesh Ltd. (CDBL) booked on monthly basis, after receiving the bills from CDBL.

### 3.11 Service charge

A memorandum of understanding (MOU) between BRAC Bank Limited (BBL) and BRAC EPL Stock Brokerage Limited (BESL) has been signed on 27 march 2011 which states that BESL will be charged a 5% fee for all disbursements made by BBL to cover overhead expenses.



### 3.12 Margin loan to clients

Margin loans are given as per margin loan policy of the Company. Normally clients are required to deposit Taka 25 lac for entitlement of margin loan.

### 3.13 General

- i) Amounts appearing in these financial statements have been rounded off to the nearest Taka; and
- ii) Figures relating to previous year have been rearranged wherever considered necessary to confirm with current year's presentation.

## 4. Standards issued but not yet effective/adopted

The Institute of Chartered Accountants of Bangladesh (ICAB) has adopted following new standards and amendments to standards during the year 2015. All previously adopted reporting standards are consistently applied by the Company to the extent relevant for the Company.

### New or amended standards

#### IFRS 14 Regulatory Deferral Accounts

##### Summary of the requirements

IFRS 14 specify the financial reporting requirements for regulatory deferral account balance that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.

IFRS 14 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

##### Possible impact on financial statements

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 14.

#### IFRS 15 Revenue from Contracts with Customers

##### Summary of the requirements

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

##### Possible impact on financial statements

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.





#### **Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)**

##### **Summary of the requirements**

These amendments require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of IAS 16 Property, Plant and Equipment, instead of IAS 41 Agriculture.

The amendments are effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted.

##### **Possible impact on financial statements**

None. The Company does not have any bearer plants.



5 Property, plant and equipment

Amount in Taka

| Particulars                     | Cost                    |                              |                         | Rate<br>(%) | Depreciation            |                            |                         | Written down<br>value as at 31<br>Dec 2018 |
|---------------------------------|-------------------------|------------------------------|-------------------------|-------------|-------------------------|----------------------------|-------------------------|--|
|                                 | As at 1 January<br>2018 | Additions<br>during the year | Adjustment/<br>disposal |             | As at 1 January<br>2018 | Charged during<br>the year | Adjustment/<br>disposal |  |
| Office floor space              | 10,472,795              | -                            | -                       | 2           | 1,519,628               | 209,460                    | -                       | 8,743,707                                  |
| Furniture and fixtures          | 9,738,475               | 1,065,224                    | -                       | 12.5        | 7,285,348               | 858,897                    | -                       | 2,659,454                                  |
| Office decoration               | 50,867,316              | 1,427,527                    | -                       | 15          | 41,017,407              | 3,463,727                  | -                       | 7,813,709                                  |
| Computers and accessories       | 31,896,268              | 5,432,257                    | -                       | 25          | 26,242,847              | 2,758,199                  | -                       | 8,327,479                                  |
| Air coolers and ceiling fans    | 12,544,055              | 1,885,170                    | -                       | 20          | 9,312,698               | 1,331,969                  | -                       | 3,784,558                                  |
| Electrical and office equipment | 17,284,835              | 900,756                      | -                       | 20          | 14,754,897              | 783,722                    | -                       | 2,646,972                                  |
| Vehicles                        | 11,700,020              | 3,216,000                    | 4,269,000               | 20          | 10,495,442              | 660,751                    | 4,215,214               | 3,706,041                                  |
| Total 31 December 2018          | 144,503,763             | 13,926,934                   | 4,269,000               |             | 110,628,267             | 10,066,725                 | 4,215,214               | 37,681,920                                 |
| Total 31 December 2017          | 122,858,919             | 21,644,845                   | -                       |             | 99,369,781              | 11,258,424                 | -                       | 33,875,497                                 |





|  | 2018<br>Taka      | 2017<br>Taka      |
|--|-------------------|-------------------|
| <b>6 Intangible assets</b>   |                   |                   |
| Cost at the beginning of the year  | 24,941,679        | 24,498,695        |
| Add: Addition during the year  | 911,647           | 442,984           |
| Cost at the close of the year  | <u>25,853,326</u> | <u>24,941,679</u> |
| Accumulated depreciation at the beginning of the year  | 24,614,477        | 24,466,997        |
| Add: Amortization during the year @ 33.33%   | 316,161           | 147,480           |
| Accumulated amortization at the end of the year  | <u>24,930,638</u> | <u>24,614,477</u> |
| Carrying amount as at 31 December  | <u>922,688</u>    | <u>327,202</u>    |
| <b>7 Membership at cost</b>  |                   |                   |
| Dhaka Stock Exchange Limited (DSE)   | -                 | 6,920,500         |
| Chittagong Stock Exchange Limited (CSE)  | -                 | 4,107,250         |
|  | <u>-</u>          | <u>11,027,750</u> |
| Investments for membership are initially recognized at cost. Pursuant the Exchanges Demutualization Act 2013, Dhaka Stock Exchange and Chittagong Stock Exchange have issued ordinary shares and Trading Right Entitlement Certificate (TREC) license to BRAC EPL Stock Brokerage Limited. The valuation of TREC is determined, and "Membership at cost" is adjusted accordingly against "Revaluation Reserve for TREC License". |                   |                   |
| <b>8 Investment in associate company</b>   |                   |                   |
| BRAC Asset Management Company Limited  |                   |                   |
| Opening balance  | 15,081,120        | 14,930,161        |
| Add: Profit for the year   | 143,389           | 150,959           |
|  | <u>15,224,510</u> | <u>15,081,120</u> |
| In 2010, the Company along with other BRAC entities, invested Taka 12,000,000 in BRAC Asset Management Company Limited (BAMCL) which represents 24% of the paid up capital of the Company. BAMCL did not start operation during the year 2011 to 2018 due to pending regulatory approval. BESL's share of the profit of BAMCL for the year 2018 has been recognized in the profit and loss.                                      |                   |                   |
| <b>9 Investments in DSE &amp; CSE</b>  |                   |                   |
| Dhaka Stock Exchange Limited (DSE) (Note-9.1)  | 54,113,295        | 28,860,424        |
| Chittagong Stock Exchange Limited (CSE) (Note-9.2)   | 42,873,300        | 17,149,320        |
|  | <u>96,986,595</u> | <u>46,009,744</u> |
| <b>9.1 Dhaka Stock Exchange Limited (DSE)</b>  |                   |                   |
| Floated (40%)  | 28,860,424        | 28,860,424        |
| Blocked (35%)  | 25,252,871        | -                 |
|  | <u>54,113,295</u> | <u>28,860,424</u> |
| <b>9.2 Chittagong Stock Exchange Limited (CSE)</b>   |                   |                   |
| Floated (40%)  | 17,149,320        | 17,149,320        |
| Blocked (60%)  | 25,723,980        | -                 |
|  | <u>42,873,300</u> | <u>17,149,320</u> |

Investments for membership of DSE and CSE were initially recognized at cost of BDT 6,920,500 and BDT 4,107,250, subsequently re-measured in accordance with section 8 (Gha) of the Exchanges Demutualization Act 2013. Both stock exchanges have issued shares against membership with Tk. 10 each. The company initially recognized 40% value of Investment in DSE (BDT 28,860,424) and CSE (BDT 17,149,320) in 2013 creating a corresponding Suspense Account of the same value. In 2018, the company recognized the remaining 60% value of both DSE and CSE before receiving the sale proceeds of 25% of DSE shares to Strategic Partner (Chinese Consortium named Shenzhen Stock Exchange and Shanghai Stock Exchange). Membership at cost of both exchanges are adjusted with Revaluation Reserve after de-recognizing the existing Suspense Account.



| Shares issued by                        | No. of shares    | No. of shares     |
|---|------------------|-------------------|
| Dhaka Stock Exchange Limited (DSE)      | 5,411,330        | 7,215,106         |
| Chittagong Stock Exchange Limited (CSE) | 4,287,330        | 4,287,330         |
| <b>Total</b>                            | <b>9,698,660</b> | <b>11,502,436</b> |

Out of total 11,502,436 shares of DSE (7,215,106) and CSE (4,287,330), 40% shares (4,600,974 for Tk 10 each) was transferred by both the Exchanges to Company's BO account. Remaining 60% shares of both Exchanges (6,901,462) were kept in blocked account for disposal in due course. In 2018, DSE sold 25% shares (1,803,777) to Chinese Consortium, remaining 35% shares of DSE (2,525,287) are kept in blocked account along with 60% shares of CSE.

|  | 2018<br>Taka       | 2017<br>Taka         |
|--|--------------------|----------------------|
| <b>10 Investment in shares</b>   |                    |                      |
| Investment in shares-IPO   | 3,634,385          | 4,273,210            |
| Investment in shares-Strategic fund  | 5,875,000          | -                    |
| Investment in shares of listed Companies-Dealer Account  | 534,317,917        | 505,431,270          |
|  | <u>543,827,302</u> | <u>509,704,480</u>   |
| <b>11 Account receivables</b>  |                    |                      |
| Clients  | 126,106,419        | 1,596,555,381        |
| Dhaka Stock Exchange Limited (DSE)   | 25,028,391         | 19,942,563           |
| Chittagong Stock Exchange Limited (CSE)  | 55,859             | 793,815              |
|  | <u>151,190,669</u> | <u>1,617,291,759</u> |
| <b>12 Inter-company receivables</b>  |                    |                      |
| BRAC Bank Limited  | 150,000            | 14,409,371           |
| BRAC EPL Investment Limited  | 627,356            | 8,289,033            |
|  | <u>777,356</u>     | <u>22,698,404</u>    |
| <b>13 Margin loan receivables</b>  | <u>170,693,561</u> | <u>141,341,986</u>   |
| The above amount represents loan entitled to clients against securities. The Company had started margin loan facilities from 01 October 2011. Loan limit to single client is maximum 50% of client's margin. |                    |                      |
| <b>14 Advances, deposits and prepayments</b>   |                    |                      |
| Advances (Note-14.1)   | 487,368,666        | 393,907,518          |
| Deposits (Note-14.2)   | 988,981            | 988,981              |
| Prepayments (Note-14.3)  | 1,264,259          | 1,353,357            |
|  | <u>489,621,906</u> | <u>396,249,856</u>   |
| <b>14.1 Advances</b>   |                    |                      |
| Income tax (Note-14.1.1)   | 451,555,234        | 366,687,104          |
| Office rent  | 12,227,849         | 16,269,271           |
| Software system  | 1,031,539          | 1,244,994            |
| Salary and allowances  | 15,523,739         | 961,621              |
| Other advances   | 7,030,305          | 8,744,528            |
|  | <u>487,368,666</u> | <u>393,907,518</u>   |





|  | 2018<br>Taka       | 2017<br>Taka       |
|--|--------------------|--------------------|
| <b>14.1.1 Advance Income Tax</b>           |                    |                    |
| Balance at beginning of the year           | 366,687,104        | 288,357,611        |
| Add: Paid during the year                  | 84,868,131         | 78,329,493         |
|  | 451,555,234        | 366,687,104        |
| Adjustment made for previous years         | -                  | -                  |
| Balance at end of the year                 | <u>451,555,234</u> | <u>366,687,104</u> |
| <b>14.2 Security deposits</b>              |                    |                    |
| DSE-floor space                            | 850,024            | 850,024            |
| Depository Participant (DP) for CDBL       | 102,500            | 102,500            |
| BTCL-land phone                            | 23,705             | 23,705             |
| Deposit to BRAC EPL Investment Limited     | 10,752             | 10,752             |
| Mobile phone                               | 2,000              | 2,000              |
|  | <u>988,981</u>     | <u>988,981</u>     |
| <b>14.3 Prepayments</b>                    |                    |                    |
| Prepaid insurance                          | 469,676            | 558,774            |
| Prepaid VAT                                | 794,583            | 794,583            |
|  | <u>1,264,259</u>   | <u>1,353,357</u>   |
| <b>15 Other receivables</b>                |                    |                    |
| Other-income receivables                   | 1,050,428          | 4,438,076          |
| Accounts receivable-others                 | -                  | 20,500             |
|  | <u>1,050,428</u>   | <u>4,458,576</u>   |
| <b>16 Investment in FDRs</b>               |                    |                    |
| BRAC Bank Limited                          | 12,065,125         | 11,538,674         |
| Standard Chartered Bank                    | 27,243,174         | 26,517,264         |
| Jamuna Bank Limited                        | 8,192,707          | 7,702,988          |
| NRB Global Bank Limited                    | -                  | 38,501,553         |
| The Farmers Bank Limited                   | 15,286,875         | 19,664,028         |
| Phoenix Finance Limited                    | -                  | 20,053,460         |
| Islamic Finance & Investment Ltd.          | -                  | 5,000,000          |
|  | <u>62,787,881</u>  | <u>128,977,967</u> |
| <b>17 Cash and cash equivalents</b>        |                    |                    |
| Cash in hand                               | 1,582,636          | 1,256,025          |
| Cash at bank                               |                    |                    |
| Current account with:                      |                    |                    |
| Standard Chartered Bank                    | 287,539,850        | 100,109,308        |
| One Bank Limited                           | 65,643,941         | 28,392,568         |
| The City Bank Limited                      | 24,172,288         | 23,443,714         |
| BRAC Bank Limited                          | 43,103,705         | 17,807,298         |
| Hong Kong and Shanghai Banking Corporation | -                  | 6,009              |
| The City Bank Limited (Islami)             | 265                | 610                |
|  | <u>420,460,049</u> | <u>169,759,507</u> |
| Short term deposit with                    |                    |                    |
| BRAC Bank Limited                          | 20,272,509         | 619,137            |
| BO account with                            |                    |                    |
| BRAC Bank Limited                          | 3,625,778          | 2,444,351          |
| Dealer account with                        |                    |                    |
| BRAC Bank Limited                          | 414,729            | 396,817            |
|  | <u>446,355,701</u> | <u>174,475,837</u> |



|      |   | 2018<br>Taka         | 2017<br>Taka         |
|------|---|----------------------|----------------------|
| 18   | Share capital   |                      |                      |
| 18.1 | Authorized share capital<br>10,000,000 ordinary shares of Taka 100 each | <u>1,000,000,000</u> | <u>1,000,000,000</u> |
| 18.2 | Issued, subscribed and paid-up share capital                            |                      |                      |
|      | Balance at the beginning of the year                                    | 700,953,800          | 451,500,000          |
|      | Add: Bonus shares issued  | <u>-</u>             | <u>249,453,800</u>   |
|      |   | <u>700,953,800</u>   | <u>700,953,800</u>   |

The Company's shareholding position at the date of statement of financial position was as follows:

| Name of share-holders   | Nationality/ incorporated in | No. of shares    |            | 2018               | Amount in Taka<br>2017 |
|-------------------------|------------------------------|------------------|------------|--------------------|------------------------|
|                         |                              | 2018             | Face value |                    |                        |
| BRAC Bank Limited       | Bangladesh                   | 6,308,541        | 100        | 630,854,100        | 630,854,100            |
| Saiful Islam            | Bangladeshi                  | 700,954          | 100        | 70,095,400         | 70,095,400             |
| BRAC                    | Bangladesh                   | 3                | 100        | 300                | 300                    |
| Ms. Nihad Kabir         | Bangladesh                   | 10               | 100        | 1,000              | 1,000                  |
| Mr. Selim R. F. Hussain | Bangladesh                   | 10               | 100        | 1,000              | 1,000                  |
| Mr. Shib Narayan Kairy  | Bangladesh                   | 10               | 100        | 1,000              | 1,000                  |
| Ms. Tamara Hasan Abed   | Bangladesh                   | 10               | 100        | 1,000              | 1,000                  |
|                         |                              | <u>7,009,538</u> |            | <u>700,953,800</u> | <u>700,953,800</u>     |

The Board of Directors in its 69th Board meeting held on 6th March 2016 has proposed 15% stock dividend which subsequently got approved on 16th AGM held on 21st March 2016. The company then increased its paid-up share capital from Taka 451,500,000 to Taka 519,225,000 by issuing 677,250 bonus shares to the shareholder as approved in 16th Annual General Meeting (AGM) held on 21st March 2016 after receiving consent from Bangladesh Securities & Exchange Commission dated 11th April 2017. Furthermore, The Board of Directors in its 75th Board meeting held on 1st March 2017 has proposed 35% stock dividend which subsequently got approved on 17th AGM held on 23rd March 2017. The company then increased its paid-up share capital from Taka 519,225,000 to Taka 700,953,800 by issuing 1,817,288 bonus shares to the shareholder as approved in 17th Annual General Meeting (AGM) held on 23rd March 2017 after receiving consent from Bangladesh Securities & Exchange Commission dated 27th December 2017.

|    |  |                   |          |
|----|--|-------------------|----------|
| 19 | Revaluation reserve for TREC license     |                   |          |
|    | Revaluation Reserve for TREC License-DSE | 48,922,920        | -        |
|    | Revaluation Reserve for TREC License-CSE | 38,766,050        | -        |
|    |  | <u>87,688,970</u> | <u>-</u> |

Investments for membership was initially recognized at cost and was subsequently re-measured in accordance with section 8 (Gha) of the Exchanges Demutualization Act 2013, both stock exchanges have issued shares against membership with Tk. 10 each. Surplus arising from changes in the value of investment for membership are transferred to Revaluation Reserve for TREC License.

|    |   |                    |                      |
|----|---|--------------------|----------------------|
| 20 | Account payables                        |                    |                      |
|    | Clients                                 | 429,026,979        | 460,321,251          |
|    | Dhaka Stock Exchange Limited (DSE)      | 10,362,008         | 1,156,335,846        |
|    | Chittagong Stock Exchange Limited (CSE) | 654,046            | 3,009,171            |
|    | Payable to Issuer (IPO)                 | 25,000             | 30,030,000           |
|    |   | <u>440,068,033</u> | <u>1,649,696,268</u> |
| 21 | Investment suspense account             |                    |                      |
|    | Dhaka Stock Exchange Limited (DSE)      | -                  | 28,860,424           |
|    | Chittagong Stock Exchange Limited (CSE) | -                  | 17,149,320           |
|    |   | <u>-</u>           | <u>46,009,744</u>    |

Membership cost was adjusted to Revaluation Reserve after de-recognizing the suspense account.





|   | 2018<br>Taka       | 2017<br>Taka       |
|---|--------------------|--------------------|
| <b>22 Inter-company payables</b>              |                    |                    |
| BRAC Bank Limited                             | -                  | -                  |
| BRAC EPL Investment Limited                   | 21,022             | 34,500             |
| BRAC IT Services Limited                      | 550,590            | 2,050,590          |
|   | <u>571,612</u>     | <u>2,085,090</u>   |
| <b>23 Liability for expenses</b>              |                    |                    |
| Performance bonus                             | 21,841,615         | 36,583,558         |
| Provision for bad debts                       | 13,079,802         | 20,373,284         |
| CDBL BO maintenance fees                      | 7,230,300          | 4,514,620          |
| Withholdings tax and VAT                      | 1,000,738          | 1,395,121          |
| Bank guarantee commission                     | -                  | -                  |
| Business development expenses                 | 275,000            | 678,603            |
| Legal and professional fees                   | 440,501            | 440,501            |
| Computer expenses                             | -                  | 626,633            |
| Office rent                                   | 162,150            | 157,309            |
| Audit fee                                     | 224,215            | 205,081            |
| Electricity bills                             | 512,716            | 666,708            |
| Entertainment expense                         | 103,190            | 137,720            |
| CDBL charges                                  | 629,328            | 1,152,275          |
| Repair and office maintenance                 | 634,054            | 673,054            |
| Telephone and mobile bills                    | 259,269            | 425,159            |
| Utilities and outsources                      | 853,346            | 882,179            |
| Salary and allowance                          | -                  | 494,733            |
| Travelling expense                            | -                  | 5,471              |
| Trading expenses payable                      | 11,143,054         | 2,654,972          |
| Other payables                                | 1,464,977          | 2,043,370          |
|   | <u>59,854,256</u>  | <u>74,110,350</u>  |
| <b>24 Provision for income tax</b>            |                    |                    |
| Balance at the beginning of the year          | 393,342,689        | 303,307,569        |
| Add: Provision made during the year (Note-30) | 77,747,958         | 90,035,120         |
| Adjustment of tax provision for previous year | -                  | -                  |
|   | <u>471,090,647</u> | <u>393,342,689</u> |
| <b>25 Service Revenue</b>                     |                    |                    |
| Dhaka Stock Exchange (DSE)                    | 410,452,693        | 496,571,927        |
| Chittagong Stock Exchange (CSE)               | 41,565,270         | 7,576,846          |
| Income from margin loan                       | 19,725,457         | 17,928,242         |
| Annual account maintenance fees               | 4,192,750          | 5,000,750          |
| BO account maintenance fees                   | 10,358,900         | 10,656,000         |
| Advisory income                               | 3,711,475          | 23,368,154         |
| IPO Service Charge                            | 539,585            | 305,630            |
| BO account opening fees                       | 1,093,650          | 868,800            |
| Sale of BO form                               | 257,100            | 217,300            |
| Others  | 2,570,420          | 2,292,536          |
|   | <u>494,467,299</u> | <u>564,786,185</u> |
| <b>26 Direct expenses</b>                     |                    |                    |
| Howla-DSE                                     | 2,200              | 1,450              |
| Howla-CSE                                     | 33,070             | 91,476             |
| Laga-DSE                                      | 25,035,968         | 30,770,070         |
| Laga-CSE                                      | 638,225            | 373,935            |
| CDBL Maintenance Charge                       | 4,552,091          | 8,297,799          |
| Trading expense                               | 112,335,684        | 98,844,736         |
|   | <u>142,597,238</u> | <u>138,379,466</u> |

This represents Howla and Laga charges paid to DSE and CSE for the transactions of traded securities. Howla is paid based on number of transactions and Laga is paid based on turnover at applicable rate prescribed by DSE and CSE.



|  | 2018<br>Taka        | 2017<br>Taka       |
|--|---------------------|--------------------|
| <b>27 Operating expenses</b>               |                     |                    |
| Administrative expenses (Note-27.1)        | 192,962,338         | 205,440,997        |
| Other operating expenses (Note-27.2)       | 37,856,484          | 54,533,719         |
|  | <u>230,818,822</u>  | <u>259,974,716</u> |
| <b>27.1 Administrative expenses</b>        |                     |                    |
| Salary and allowances (Note-27.1.1)        | 130,025,958         | 138,267,079        |
| Office rent and service charges            | 28,336,989          | 27,208,172         |
| Depreciation (Note-5)                      | 10,066,725          | 11,258,424         |
| Internet bills                             | 3,824,716           | 5,142,825          |
| Outsourcing expenses                       | 8,200,733           | 9,112,715          |
| CDBL charges                               | 8,465,335           | 10,435,141         |
| Amortization of intangible assets (Note-6) | 316,161             | 147,480            |
| Insurance                                  | 1,828,953           | 1,538,054          |
| Networking expenses                        | 634,507             | 1,433,151          |
| DSE, CSE and BSEC charges                  | 1,262,260           | 897,956            |
|  | <u>192,962,338</u>  | <u>205,440,997</u> |
| <b>27.1.1 Salary and allowances</b>        |                     |                    |
| Salary and allowances                      | 121,464,798         | 133,673,948        |
| Provident fund contribution                | 4,537,391           | 2,200,539          |
| Gratuity                                   | 4,023,769           | 2,392,592          |
|  | <u>130,025,958</u>  | <u>138,267,079</u> |
| <b>27.2 Other operating expenses</b>       |                     |                    |
| Utility expenses                           | 3,512,292           | 3,673,491          |
| Entertainment                              | 3,603,715           | 4,168,888          |
| Office maintenance                         | 3,246,793           | 4,714,856          |
| Telephone and mobile bills                 | 2,092,859           | 2,329,873          |
| Printing and stationery                    | 1,378,804           | 1,787,762          |
| Business promotional expenses              | 4,345,543           | 8,242,670          |
| Advertisement                              | 1,028,760           | 2,859,794          |
| Fuel and lubricants                        | 2,116,160           | 3,589,926          |
| Service charge-BRAC Bank Limited           | -                   | 2,312              |
| Board meeting fees                         | 195,000             | 285,000            |
| Travel and conveyance                      | 3,570,838           | 6,757,090          |
| Postage and courier                        | 324,199             | 301,512            |
| Professional fees                          | 1,385,863           | 1,720,109          |
| Training and development                   | 770,678             | 2,663,651          |
| Repair and maintenance                     | 2,314,220           | 4,789,304          |
| Fees and subscriptions                     | 2,595,633           | 2,283,569          |
| News paper, books and periodicals          | 152,061             | 133,288            |
| Audit fee                                  | 210,465             | 191,331            |
| Photocopy and photograph                   | 5,238               | 9,571              |
| Reward and recognition                     | 3,984,891           | 2,941,455          |
| Other expenses                             | 1,022,471           | 1,088,267          |
|  | <u>37,856,484</u>   | <u>54,533,719</u>  |
| <b>28 Other income</b>                     |                     |                    |
| Gain/(loss) on sale of fixed assets        | 2,546,214           | -                  |
|  | <u>2,546,214</u>    | <u>-</u>           |
| <b>29 Finance income</b>                   |                     |                    |
| Income from bank interest                  | 14,322,385          | 19,878,473         |
| Realized gain on share                     | 67,390,049          | 59,354,013         |
| Unrealized gain/(loss) on share            | (118,839,582)       | 29,775,026         |
| Dividend income                            | 21,895,887          | 25,361,637         |
|  | <u>(15,231,261)</u> | <u>134,369,150</u> |





|  | 2018<br>Taka      | 2017<br>Taka      |
|--|-------------------|-------------------|
| <b>30 Finance Cost</b>   |                   |                   |
| Bank guarantee commission  | 4,216,661         | 4,792,883         |
| Bank interest, charges and commission                                | 2,581,410         | 1,400,046         |
|  | <u>6,798,071</u>  | <u>6,192,929</u>  |
| <b>31 Income tax expenses</b>  |                   |                   |
| Provision for tax on brokerage commission                            | 59,690,902        | 66,128,816        |
| Provision for tax other than brokerage commission                    | 18,057,055        | 23,906,304        |
| Provision for 2018   | 77,747,958        | 90,035,120        |
| Adjustment for previous year   | -                 | -                 |
|  | <u>77,747,958</u> | <u>90,035,120</u> |
| <b>32 Contingent liabilities and capital expenditure commitments</b> |                   |                   |
| i) Claims against the company not acknowledged as debt               | -                 | -                 |
| ii) Capital expenditure commitments                                  | -                 | -                 |
| a. Contracted but not provided for                                   | -                 | -                 |
| b. Approved but not contracted for                                   | -                 | -                 |
| <b>33 Number of employees engaged for drawing remuneration</b>       |                   |                   |
| i) Up to Taka 3000 per month   | -                 | -                 |
| ii) Above Taka 3000 per month  | 126               | 148               |
|  | <u>126</u>        | <u>148</u>        |

#### **34 Financial risk management**

The management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has exposure to the following risks from its use of financial instruments.

- credit risk
- liquidity risk
- market risk

##### **34.1 Credit risk**

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivable from customers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, clients are grouped according to their risk profile, i.e. their legal status, financial condition etc. Receivable from clients is the debit balance in the client ledger as a result of buy/sell of shares.

##### **34.2 Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company ensures that it has sufficient cash and bank balances to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, prepared based on timeline of payment of the financial obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date.

##### **34.3 Market risk**

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.



#### 34.4 Currency risk

The Company has not entered into any transaction denominated by a currency other than the local currency during the year ended 31 December 2018.

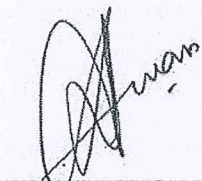
#### 34.5 Interest rate risk

The only interest bearing financial instrument for the Company is the short notice deposit (SND) account maintained by the Company with its commercial banks. These are highly liquid and very short term deposits with nominal interest rate. Interest rate fluctuation for such investment have little impact on financial statements. Therefore, interest rate risk for the Company is insignificant.

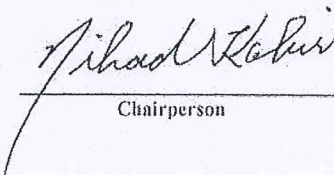
#### 35 Related party transactions

During the year, the company carried out a number of transactions with related parties. In accordance with the provisions of BAS 24: Related party disclosure, these are detailed below:

| Name of party                | Relationship with<br>BESL | Nature of transactions | 2018<br>Taka | 2017<br>Taka |
|------------------------------|---------------------------|------------------------|--------------|--------------|
| BRAC EPL Investments Limited | Common Parent             | Expenses receivable    | 627,356      | 8,289,033    |
| BRAC Bank Limited            | Parent Company            | Commission receivable  | 150,000      | 14,409,371   |
| BRAC Bank Limited            | Parent Company            | IT services            | -            | -            |
| BRAC EPL Investment Limited  | Common Parent             | Expenses payable       | 21,022       | 34,500       |
| BRAC IT Services Limited     | Common Parent             | IT services            | 550,590      | 2,050,590    |

  
Chief Executive Officer

  
Director

  
Chairperson





**BRAC EPL Stock Brokerage Limited**  
**Allocation of profit and loss**  
**For the year ended 31 Dec 2018**

Annexure - 1

|  | Brokerage Income | Other than Brokerage Income | Total         |
|--|------------------|-----------------------------|---------------|
| Brokerage commission                           | 452,017,963      | -                           | 452,017,963   |
| Interest from margin loan                      | -                | 19,725,457                  | 19,725,457    |
| BO Account maintenance fees                    | -                | 10,358,900                  | 10,358,900    |
| Advisory fees                                  | -                | 3,711,475                   | 3,711,475     |
| BO Account opening fees                        | -                | 1,093,650                   | 1,093,650     |
| Sale of BO form                                | -                | 257,100                     | 257,100       |
| Annual account maintenance fees                | -                | 4,192,750                   | 4,192,750     |
| IPO service charges                            | -                | 539,585                     | 539,585       |
| Others   | -                | 2,570,420                   | 2,570,420     |
| Gross revenue                                  | 452,017,963      | 42,449,336                  | 494,467,299   |
| Direct expenses                                | (138,045,147)    | (4,552,091)                 | (142,597,238) |
|  | 313,972,816      | 37,897,245                  | 351,870,061   |
| Operating expenses *                           | (210,045,128)    | (20,773,694)                | (230,818,822) |
|  | 103,927,687      | 17,123,551                  | 121,051,239   |
| Financial expenses                             |                  | (6,798,071)                 | (6,798,071)   |
| Impairment loss                                | -                | -                           | -             |
|  | -                | (6,798,071)                 | (6,798,071)   |
| Operating Profit                               | 103,927,687      | 10,325,480                  | 114,253,168   |
| Non-operating income:                          |                  |                             |               |
| Realized gain on shares                        | -                | 31,240,857                  | 31,240,857    |
| Unrealized gain/(Loss) on shares               | -                | (118,839,582)               | (118,839,582) |
| Sale Proceeds of 25% DSE Shares                | 36,149,192       | -                           | 36,149,192    |
| Bank interest                                  | -                | 14,322,385                  | 14,322,385    |
| Share of profit of equity in associate company | -                | 143,389                     | 143,389       |
| Dividend income                                | -                | 21,895,887                  | 21,895,887    |
| Gain/(loss) on sale of fixed assets            | -                | 2,546,214                   | 2,546,214     |
|  | 36,149,192       | (48,690,850)                | (12,541,658)  |
| Net profit before tax                          | 140,076,879      | (38,365,370)                | 101,711,509   |

\* Operating expenses have been allocated to Brokerage Income and other than Brokerage Income on the basis of gross revenue, percentage of gross revenue works out at 91% and 9% respectively

Chief Executive Officer

Director

Chairperson

Dhaka,  
10 March '2019



A. Qasem & Co.  
Chartered Accountants

**Appendix - C**

**Audited financial statements  
of  
bKash Limited**



**bKash Limited**

Auditor's report and financial statements as at and  
for the year ended 31 December 2018



**Rahman Rahman Huq**  
Chartered Accountants  
9 & 5 Mohakhali C/A  
Dhaka 1212  
Bangladesh

Telephone +880 (2) 988 6450-2  
Fax +880 (2) 988 6449  
E-mail dhaka@kpmg.com  
Internet www.kpmg.com/bd

## **Independent auditor's report**

To the Shareholders of bKash Limited

---

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of bKash Limited (the Company), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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 give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirement that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- 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 Company'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 Company 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 gives a true and fair view.

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, we also report the following:

- a) we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books; and
- c) the statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account.

  
**Rahman Rahman Huq**

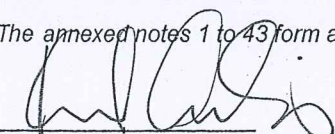
Dhaka 14 MAR 2019



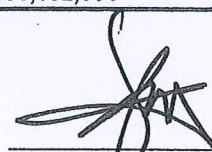
**bKash Limited**  
**Statement of financial position**


| <i>In Taka</i>                               | <i>Note</i> | <b>31 December 2018</b> | <b>31 December 2017</b> |
|--|-------------|-------------------------|-------------------------|
| <b>Assets</b>                                |             |                         |                         |
| Property, plant and equipment                | 6           | 1,155,963,250           | 767,571,771             |
| Intangible assets                            | 7           | 684,505,279             | 463,632,762             |
| <b>Non-current assets</b>                    |             | <b>1,840,468,529</b>    | <b>1,231,204,533</b>    |
| Operational and other receivables            | 8           | 965,103,088             | 426,953,282             |
| Advances, deposits and prepayments           | 9           | 526,366,646             | 232,336,222             |
| Contract assets                              | 10          | 301,787,164             | -                       |
| Advance income tax                           | 11          | 847,710,297             | 537,833,294             |
| Airtime balance                              | 12          | 1,259,965,976           | 1,163,143,640           |
| Trust cum settlement account and investments | 13          | 27,689,567,048          | 21,986,269,408          |
| Investment in fixed deposits                 | 14          | 9,204,200,000           | 2,121,800,000           |
| Cash and cash equivalents                    | 15          | 260,934,183             | 186,243,340             |
| <b>Current assets</b>                        |             | <b>41,055,634,402</b>   | <b>26,654,579,186</b>   |
| <b>Total assets</b>                          |             | <b>42,896,102,931</b>   | <b>27,885,783,719</b>   |
| <b>Equity</b>                                |             |                         |                         |
| Ordinary shares                              | 16          | 38,194,900              | 38,194,900              |
| Share premium - ordinary shares              |             | 1,286,205,568           | 1,286,205,568           |
| <b>Ordinary share capital and premium</b>    |             | <b>1,324,400,468</b>    | <b>1,324,400,468</b>    |
| Preference shares                            | 17          | 8,796,300               | 4,097,000               |
| Share premium - preference shares            | 18          | 8,286,915,782           | 847,412,828             |
| <b>Preference share capital and premium</b>  |             | <b>8,295,712,082</b>    | <b>851,509,828</b>      |
| Capital reserve                              | 19          | 18,479,529              | -                       |
| Share money deposit                          | 20          | 505,162                 | 505,162                 |
| Retained earnings                            |             | 1,069,682,559           | 903,366,797             |
| <b>Total equity</b>                          |             | <b>10,708,779,800</b>   | <b>3,079,782,255</b>    |
| <b>Liabilities</b>                           |             |                         |                         |
| Deferred tax liabilities                     | 21          | 1,587,238               | 35,986,265              |
| Other non-current liabilities                | 25          | 7,145,802               | 7,145,802               |
| Finance lease liabilities                    | 26          | 33,308,961              | 40,774,231              |
| <b>Non-current liabilities</b>               |             | <b>42,042,001</b>       | <b>83,906,298</b>       |
| Defined benefit plan - gratuity              | 22          | 90,183,748              | 44,515,670              |
| Customer and other deposits                  | 23          | 27,488,565,715          | 21,663,937,199          |
| Operational and other payables               | 24          | 1,182,220,350           | 1,023,172,770           |
| Finance lease liabilities                    | 26          | 22,297,603              | 17,376,926              |
| Grant funds                                  | 27          | 12,872,051              | 43,544,365              |
| Accrued expenses                             | 28          | 2,364,981,679           | 1,312,214,254           |
| Provision for tax                            | 29          | 984,159,984             | 617,333,982             |
| <b>Current liabilities</b>                   |             | <b>32,145,281,130</b>   | <b>24,722,095,166</b>   |
| <b>Total liabilities</b>                     |             | <b>32,187,323,131</b>   | <b>24,806,001,464</b>   |
| <b>Total equity and liabilities</b>          |             | <b>42,896,102,931</b>   | <b>27,885,783,719</b>   |

The annexed notes 1 to 43 form an integral part of these financial statements.

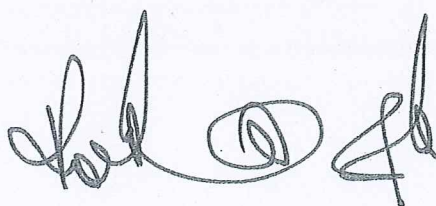
  
Chief Executive Officer

  
Director

  
Director

  
Company Secretary

As per our report of same date.

  
Auditor

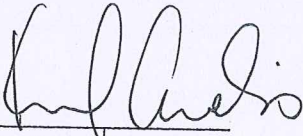
Dhaka, 14 MAR 2019

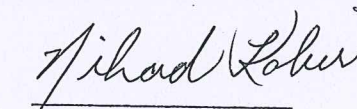


**bKash Limited****Statement of profit or loss and other comprehensive income**

| <i>In Taka</i>  | <i>Note</i> | <i>31 December 2018</i> | <i>For the year ended<br/>31 December 2017</i> |
|---|-------------|-------------------------|--|
| Gross revenue   |             | 21,791,312,387          | 17,589,548,312                                 |
| VAT   |             | (2,519,174,076)         | (2,074,019,100)                                |
| Revenue   | 30          | 19,272,138,311          | 15,515,529,212                                 |
| Cost of services  | 31          | (14,042,389,523)        | (11,407,289,613)                               |
| Gross profit  |             | 5,229,748,788           | 4,108,239,599                                  |
| Operating and administrative expenses                             | 32          | (3,235,571,949)         | (2,331,072,890)                                |
| Marketing and promotional expenses                                | 33          | (1,862,041,570)         | (1,074,627,157)                                |
| Operating profit  |             | 132,135,269             | 702,539,552                                    |
| Net finance income  | 34          | 455,733,379             | 127,779,785                                    |
| Profit before contribution to WPPF                                |             | 587,868,648             | 830,319,337                                    |
| Contribution to WPPF  |             | (29,393,432)            | (39,539,016)                                   |
| Profit before tax   |             | 558,475,216             | 790,780,321                                    |
| Income tax expenses   | 35          | (354,017,425)           | (302,962,605)                                  |
| Profit  |             | 204,457,791             | 487,817,716                                    |
| Other comprehensive income/(expense)                              |             |                         |  |
| Item that will not be reclassified subsequently to profit or loss |             |                         |  |
| Remeasurement of defined benefit plan                             |             | (30,250,000)            | -  |
| Related tax   |             | 10,587,500              | -  |
|   |             | (19,662,500)            | -  |
| <b>Total comprehensive income</b>                                 |             | <b>184,795,291</b>      | <b>487,817,716</b>                             |

The annexed notes 1 to 43 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

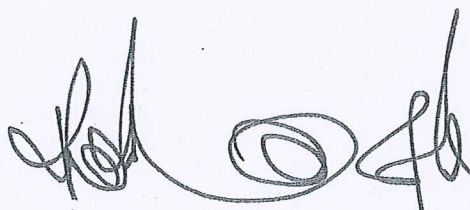
  
Director

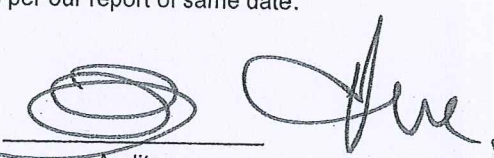
  
Company Secretary

As per our report of same date.

Dhaka, 14 MAR 2019



  
Auditor

  
Rahman Rahman Huq  
Chartered Accountants

**bKash Limited**

**Statement of changes in equity**

| In Taka                                       | For the year ended 31 December 2018 |                                 |                   |                                   |                 |                     |                   |                |
|---|-------------------------------------|---------------------------------|-------------------|-----------------------------------|-----------------|---------------------|-------------------|----------------|
|   | Ordinary shares                     | Share premium - ordinary shares | Preference shares | Share premium - preference shares | Capital reserve | Share money deposit | Retained earnings | Total equity   |
| Balance at 1 January 2018                     | 38,194,900                          | 1,286,205,568                   | 4,097,000         | 847,412,828                       | -               | 505,162             | 903,366,797       | 3,079,782,255  |
| Transactions with owners of the Company       |                                     |                                 |                   |                                   |                 |                     |                   |                |
| Contributions and distributions               |                                     |                                 |                   |                                   |                 |                     |                   |                |
| Issue of preference share - net of issue cost | -                                   | -                               | 4,699,300         | 7,439,502,954                     | -               | -                   | -                 | 7,444,202,254  |
| Total comprehensive income                    | -                                   | -                               | -                 | -                                 | -               | -                   | -                 | -              |
| Profit for the year                           | -                                   | -                               | -                 | -                                 | -               | -                   | -                 | -              |
| Transfer to capital reserve                   | -                                   | -                               | -                 | -                                 | 18,479,529      | -                   | 184,795,291       | 184,795,291    |
| Total   | -                                   | -                               | 4,699,300         | 7,439,502,954                     | 18,479,529      | -                   | (18,479,529)      | -              |
| Balance at 31 December 2018                   | 38,194,900                          | 1,286,205,568                   | 8,796,300         | 8,286,915,782                     | 18,479,529      | 505,162             | 1,069,682,559     | 10,708,779,800 |

| In Taka                     | For the year ended 31 December 2017 |                                 |                   |                                   |                 |                     |                   |               |
|-----------------------------|-------------------------------------|---------------------------------|-------------------|-----------------------------------|-----------------|---------------------|-------------------|---------------|
|                             | Ordinary shares                     | Share premium - ordinary shares | Preference shares | Share premium - preference shares | Capital reserve | Share money deposit | Retained earnings | Total equity  |
| Balance at 1 January 2017   | 38,194,900                          | 1,286,205,568                   | 4,097,000         | 847,412,828                       | -               | 505,162             | 415,549,081       | 2,591,964,539 |
| Total comprehensive income  |                                     |                                 |                   |                                   |                 |                     |                   |               |
| Profit for the year         | -                                   | -                               | -                 | -                                 | -               | -                   | -                 | -             |
| Total                       | -                                   | -                               | -                 | -                                 | -               | -                   | 487,817,716       | 487,817,716   |
| Balance at 31 December 2017 | 38,194,900                          | 1,286,205,568                   | 4,097,000         | 847,412,828                       | -               | 505,162             | 487,817,716       | 487,817,716   |
|                             |                                     |                                 |                   |                                   |                 |                     | 903,366,797       | 3,079,782,255 |

The annexed notes 1 to 43 form an integral part of these financial statements.





**bKash Limited**  
**Statement of cash flows**

| <i>In Taka</i>  | <i>31 December 2018</i> | <i>For the year ended<br/>31 December 2017</i> |
|---|-------------------------|--|
| <b>Cash flows from operating activities</b>   |                         |  |
| Cash receipt from customers   | 27,293,111,582          | 21,821,480,425                                 |
| Cash paid to suppliers, employees and others  | (18,682,702,900)        | (14,244,943,781)                               |
| <b>Cash generated from operating activities</b>   | <b>8,610,408,682</b>    | <b>7,576,536,644</b>                           |
| Interest received from deposits   | 255,540,508             | 108,826,709                                    |
| Taxes paid to government exchequer  | (2,797,729,772)         | (2,232,797,324)                                |
| <b>Net cash flows from operating activities</b>   | <b>6,068,219,418</b>    | <b>5,452,566,029</b>                           |
| <b>Cash flows from investing activities</b>   |                         |  |
| Acquisition of property, plant and equipment  | (360,169,994)           | (340,049,941)                                  |
| Acquisition of intangible assets  | (274,073,586)           | (231,887,831)                                  |
| Investment in fixed deposits  | (7,082,400,000)         | (501,800,000)                                  |
| <b>Net cash used in investing activities</b>  | <b>(7,716,643,580)</b>  | <b>(1,073,737,772)</b>                         |
| <b>Cash flows from financing activities</b>   |                         |  |
| Finance lease liabilities   | (17,789,609)            | (12,466,600)                                   |
| Net proceeds from issue of preference shares  | 7,444,202,254           | -  |
| <b>Net cash from/(used in) financing activities</b>   | <b>7,426,412,645</b>    | <b>(12,466,600)</b>                            |
| <b>Net increase in cash and cash equivalents</b>  | <b>5,777,988,483</b>    | <b>4,366,361,657</b>                           |
| Cash and cash equivalents including trust cum settlement account and investments as at 1 January          | 22,172,512,748          | 17,806,151,091                                 |
| <b>Cash and cash equivalents including trust cum settlement account and investments as at 31 December</b> | <b>27,950,501,231</b>   | <b>22,172,512,748</b>                          |
| <b>Less: Trust cum settlement account and investments</b>   | <b>27,689,567,048</b>   | <b>21,986,269,408</b>                          |
| <b>Cash and cash equivalents as at 31 December</b>  | <b>260,934,183</b>      | <b>186,243,340</b>                             |

*The annexed notes 1 to 43 form an integral part of these financial statements.*



## Notes to the financial statements

### 1 Reporting entity

#### 1.1 Company profile

bKash Limited (hereinafter referred to as "the Company"), a subsidiary of BRAC Bank Limited, started as a joint venture between BRAC Bank Limited, Bangladesh and Money in Motion LLC, USA. It was incorporated as a private company limited by shares under the Companies Act, 1994 on 1 March 2010 having its registered office in Dhaka. Subsequently, International Finance Corporation (IFC) (by subscribing for fresh ordinary shares in April 2013) and Alipay Singapore E-Commerce Private Limited ("Alipay") (by purchasing ordinary shares from existing shareholders in April 2018) became equity partners of the Company. Apart from the above, the Bill & Melinda Gates Foundation and Alipay hold non-voting preference shares in the Company.

The Company has an authorised share capital of Tk. 500,000,000 divided into 4,900,000 ordinary shares of Tk. 100 each and 100,000 preference shares of Tk. 100 each.

#### 1.2 Nature of business

bKash provides different financial services via mobile phones to its customers under a Payment Services Provider (PSP) license issued by Bangladesh Bank. The ultimate objective of the Company is to ensure access to a broader range of financial services for the people of Bangladesh. It has a special focus to serve the low income masses of the country in order to achieve broader financial inclusion by providing services that are convenient, affordable and reliable.

### 2 Basis of accounting

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and as per the requirements of the Companies Act, 1994.

The titles and format of these financial statements follow the requirements of IFRSs which are to some extent different from the requirements of the Companies Act, 1994. However, such differences are not material and in the view of management, IFRS titles and format gives a better presentation to its intended users.

These financial statements are presented in Bangladeshi Taka (Taka/Tk/BDT), which is both the functional and the presentation currency of the Company.

Details of the Company's accounting policies are included in Note 42.

#### 2.2 Date of authorisation

These financial statements have been authorised for issue by the Board of Directors of the Company on

14 MAR 2019

### 3 Reporting period

The financial statements of the Company covers the year from 1 January to 31 December and it is followed consistently.

### 4 Use of estimates and judgments

In preparing these financial statements, management has made 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. Revision to estimates are recognised prospectively.





## Notes to the financial statements (Continued)

### a. Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Notes 26 and 42M

Finance lease liabilities

### b. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2018 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Notes 6 and 42F

Property, plant and equipment

Notes 7 and 42G

Intangible assets

Notes 22 and 42C(iii)

Defined benefit plan - gratuity

Notes 21 and 42E(ii)

Deferred tax assets/(liabilities)

Notes 29 and 42E(i)

Provision for tax

Notes 37, 38 and 42O

Commitments and contingencies

Notes 10 and 42A

Contract assets

## 5 Changes in significant accounting policies

The Company has applied IFRS 15 Revenue from Contracts with Customers from 1 January 2018. Apart from this, Bangladesh Mobile Financial Services Regulations, 2018 also came into effect during this year with certain specific directions over business operation. Accordingly, the Company has reviewed all existing streams of revenue/income in light of above changes and reclassified income generated from trust cum settlement account balances as revenue. Other new standards that are also effective from 1 January 2018 do not have a material impact on these financial statements.

### IFRS 15 Revenue from Contracts with Customers

#### Nature and effect of changes

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard supersedes all revenue related requirements under IFRS. Under IFRS 15, either a full retrospective application or a modified retrospective application of the standard is required for annual periods beginning on or after 1 January 2018.

Adoption of IFRS 15 does not have any significant impact in recognition of revenue for the Company. However, recognition of contract assets/(liabilities) and contract cost under IFRS 15 is significantly different from previous standards.

Retrospective application of IFRS 15 for recognition of contract assets and amortisation or impairment of the same is impracticable for the Company on following grounds:

- Relevant information of incremental costs for qualifying contracts was not recorded in a manner suitable for IFRS 15 implementation in prior periods and it is impracticable to retrieve the same.
- Due to frequent changes in relevant regulatory framework and volatile nature of the business, the expected contract period for different services had changed over earlier periods and it is impracticable to reproduce management expectation at different points in time.

Accordingly, the standard has been applied prospectively with effect from 1 January 2018. Impact of IFRS 15 on the financial statements is summarised below:

| <i>In Taka</i>                        | 2018          |
|---------------------------------------|---------------|
| Contract assets                       | 301,787,164   |
| Operating and administrative expenses | (26,162,036)  |
| Marketing and promotional expenses    | (275,625,128) |

The Company followed IAS 18 Revenue in prior periods.





## Notes to the financial statements (Continued)

### 6 Property, plant and equipment

See accounting policy in Note 42F

#### Reconciliation of carrying amount

| In Taka                           | Note | IT equipment | Laptop & computer | Motor vehicles | Motor vehicles - leased | Office furniture | Office equipment | Leasehold improvements | Work in progress | Total         |
|-----------------------------------|------|--------------|-------------------|----------------|-------------------------|------------------|------------------|------------------------|------------------|---------------|
| <b>Cost</b>                       |      |              |                   |                |                         |                  |                  |                        |                  |               |
| Balance at 1 January 2017         |      | 390,045,072  | 83,745,632        | 2,000,000      | 31,137,444              | 43,255,005       | 39,268,971       | 78,278,447             | 276,113,531      | 943,844,102   |
| Additions                         |      | 73,378,890   | 21,059,728        | -              | 50,511,159              | 13,665,552       | 10,750,938       | 3,811,828              | 75,015,384       | 248,193,479   |
| Reclassification                  |      | -            | -                 | -              | -                       | -                | -                | -                      | -                | (35,155,647)  |
| Write-off/ disposals/ adjustments |      | (2,552,265)  | (13,572,782)      | -              | -                       | (1,091,879)      | (213,956)        | -                      | (35,155,647)     | (17,430,882)  |
| Transfer from work in progress    |      | 86,058,763   | -                 | -              | -                       | -                | 6,148,014        | 18,270,864             | (110,477,641)    | -             |
| Balance at 31 December 2017       |      | 546,930,460  | 91,232,578        | 2,000,000      | 81,648,603              | 55,828,678       | 55,953,967       | 100,361,139            | 205,495,627      | 1,139,451,052 |
| Balance at 1 January 2018         |      | 546,930,460  | 91,232,578        | 2,000,000      | 81,648,603              | 55,828,678       | 55,953,967       | 100,361,139            | 205,495,627      | 1,139,451,052 |
| Additions                         |      | 29,744,766   | 22,681,159        | -              | 15,840,535              | 4,726,099        | 2,319,517        | 1,202,954              | 516,917,965      | 593,432,995   |
| Reclassification                  |      | -            | -                 | -              | -                       | -                | -                | -                      | -                | 1,827,000     |
| Write-off/ disposals/ adjustments |      | (1,429,415)  | (16,556,307)      | -              | -                       | (1,255,167)      | (291,818)        | (178,080)              | -                | (19,710,787)  |
| Transfer from work in progress    |      | 237,754,612  | -                 | -              | -                       | -                | -                | -                      | (237,754,612)    | -             |
| Balance at 31 December 2018       |      | 813,000,423  | 97,357,430        | 2,000,000      | 97,489,138              | 59,299,610       | 57,981,666       | 101,386,013            | 486,485,980      | 1,715,000,260 |
| <b>Accumulated depreciation</b>   |      |              |                   |                |                         |                  |                  |                        |                  |               |
| Balance at 1 January 2017         |      | 139,437,232  | 52,105,944        | 1,999,999      | 3,130,833               | 7,299,245        | 14,768,193       | 16,765,536             | -                | 235,506,982   |
| Depreciation                      |      | 87,212,934   | 21,263,367        | -              | 12,724,249              | 4,737,593        | 9,210,633        | 16,970,262             | -                | 152,119,038   |
| Write-off/ disposals/ adjustments | 32.2 | (1,816,275)  | (13,435,099)      | -              | -                       | (371,769)        | (123,596)        | -                      | -                | (15,746,739)  |
| Balance at 31 December 2017       |      | 224,833,891  | 59,934,212        | 1,999,999      | 15,855,082              | 11,665,069       | 23,855,230       | 33,735,798             | -                | 371,879,281   |
| Balance at 1 January 2018         |      | 224,833,891  | 59,934,212        | 1,999,999      | 15,855,082              | 11,665,069       | 23,855,230       | 33,735,798             | -                | 371,879,281   |
| Depreciation                      |      | 124,308,285  | 19,274,452        | -              | 16,930,669              | 14,613,918       | 10,010,804       | 20,086,343             | -                | 205,224,471   |
| Write-off/ disposals/ adjustments | 32.2 | (468,378)    | (16,290,018)      | -              | -                       | (1,018,503)      | (218,611)        | (71,232)               | -                | (18,066,742)  |
| Balance at 31 December 2018       |      | 348,673,798  | 62,918,646        | 1,999,999      | 32,785,751              | 25,260,484       | 33,647,423       | 53,750,909             | -                | 559,037,010   |
| <b>Carrying amounts</b>           |      |              |                   |                |                         |                  |                  |                        |                  |               |
| At 31 December 2017               |      | 322,096,569  | 31,298,366        | 1              | 65,793,521              | 44,163,609       | 32,098,737       | 66,625,341             | 205,495,627      | 767,571,771   |
| At 31 December 2018               |      | 464,326,625  | 34,438,784        | 1              | 64,703,387              | 34,039,126       | 24,334,243       | 47,635,104             | 486,485,980      | 1,155,963,250 |





## Notes to the financial statements (Continued)

### 7 Intangible assets

See accounting policy in Note 42G

| Reconciliation of carrying amount  |      |                    |                    |                      |
|------------------------------------|------|--------------------|--------------------|----------------------|
| In Taka                            | Note | Software           | Work in progress   | Total                |
| <b>Cost</b>                        |      |                    |                    |                      |
| Balance at 1 January 2017          |      | 469,940,955        | 10,285,078         | 480,226,033          |
| Additions                          |      | 101,138,998        | 168,134,782        | 269,273,780          |
| Reclassification                   |      | -                  | 35,155,647         | 35,155,647           |
| Write-off/ disposals/ adjustments  |      | (110,516,999)      | -                  | (110,516,999)        |
| Transfer from work in progress     |      | 46,903,441         | (46,903,441)       | -                    |
| <b>Balance at 31 December 2017</b> |      | <b>507,466,395</b> | <b>166,672,066</b> | <b>674,138,461</b>   |
| <b>Balance at 1 January 2018</b>   |      | <b>507,466,395</b> | <b>166,672,066</b> | <b>674,138,461</b>   |
| Additions                          |      | 144,681,321        | 219,300,255        | 363,981,576          |
| Reclassification                   |      | -                  | (1,827,000)        | (1,827,000)          |
| Write-off/ disposals/ adjustments  |      | (8,730,948)        | -                  | (8,730,948)          |
| Transfer from work in progress     |      | 248,517,750        | (248,517,750)      | -                    |
| <b>Balance at 31 December 2018</b> |      | <b>891,934,518</b> | <b>135,627,571</b> | <b>1,027,562,089</b> |
| <b>Accumulated amortisation</b>    |      |                    |                    |                      |
| Balance at 1 January 2017          |      | 210,772,318        | -                  | 210,772,318          |
| Amortisation                       | 32.2 | 110,250,380        | -                  | 110,250,380          |
| Write-off/ disposals/ adjustments  |      | (110,516,999)      | -                  | (110,516,999)        |
| <b>Balance at 31 December 2017</b> |      | <b>210,505,699</b> | <b>-</b>           | <b>210,505,699</b>   |
| <b>Balance at 1 January 2018</b>   |      | <b>210,505,699</b> | <b>-</b>           | <b>210,505,699</b>   |
| Amortisation                       | 32.2 | 139,634,495        | -                  | 139,634,495          |
| Write-off/ disposals/ adjustments  |      | (7,083,384)        | -                  | (7,083,384)          |
| <b>Balance at 31 December 2018</b> |      | <b>343,056,810</b> | <b>-</b>           | <b>343,056,810</b>   |
| <b>Carrying amounts</b>            |      |                    |                    |                      |
| At 31 December 2017                |      | 296,960,696        | 166,672,066        | 463,632,762          |
| <b>At 31 December 2018</b>         |      | <b>548,877,708</b> | <b>135,627,571</b> | <b>684,505,279</b>   |



## Notes to the financial statements (Continued)

### 8 Operational and other receivables

See accounting policy in Note 42H

| <i>In Taka</i>                     | 2018        | 2017        |
|------------------------------------|-------------|-------------|
| <b>Operational receivables</b>     |             |             |
| Related party                      | 17,985,377  | 30,538,209  |
| Other than related parties         | 702,978,553 | 352,468,786 |
|                                    | 720,963,930 | 383,006,995 |
| Less: Provision for doubtful debts | -           | -           |
|                                    | 720,963,930 | 383,006,995 |
| <b>Other receivables</b>           |             |             |
| Accrued interest on deposits       | 244,139,158 | 43,946,287  |
|                                    | 965,103,088 | 426,953,282 |

### 9 Advances, deposits and prepayments

See accounting policy in Note 42H

| <i>In Taka</i>      | Note | 2018        | 2017        |
|---------------------|------|-------------|-------------|
| <b>Advances</b>     |      |             |             |
| Employees           |      | 24,388,156  | 5,836,286   |
| Suppliers           |      | 308,946,833 | 15,261,377  |
| Office rent         |      | 39,365,174  | 89,206,274  |
| VAT current account |      | 535,654     | 724,932     |
|                     |      | 373,235,817 | 111,028,869 |
| <b>Deposits</b>     |      |             |             |
| Rent                |      | 7,139,880   | 5,416,600   |
|                     |      | 7,139,880   | 5,416,600   |
| <b>Prepayments</b>  |      |             |             |
| Expenses            |      | 60,124,358  | 48,751,171  |
| Deferred commission | 9.1  | 85,866,591  | 67,139,582  |
|                     |      | 145,990,949 | 115,890,753 |
|                     |      | 526,366,646 | 232,336,222 |

- 9.1 Deferred commission represents commission paid to agents for performing cash in transactions for which revenue will be generated in the next financial period(s).

### 10 Contract assets

See accounting policy in Note 42A

| <i>In Taka</i>                | 2018         | 2017 |
|-------------------------------|--------------|------|
| Balance at 1 January          | -            | -    |
| Addition during the year      | 348,823,477  | -    |
| Charged off during the year   | (47,036,313) | -    |
| <b>Balance at 31 December</b> | 301,787,164  | -    |

The contract assets represent unamortised customer acquisition costs in the form of commissions and other directly attributable costs e.g. National ID verification, Know Your Customer (KYC) data entry etc.

### 11 Advance income tax

See accounting policy in Note 42E

| <i>In Taka</i>                          | 2018         | 2017        |
|---|--------------|-------------|
| Balance at 1 January                    | 537,833,294  | 366,946,533 |
| Deposits including deductions at source | 320,879,953  | 170,886,761 |
| Charged off during this year            | (11,002,950) | -           |
| <b>Balance at 31 December</b>           | 847,710,297  | 537,833,294 |

### 12 Airtime balance

Airtime balance represents unsold amount of mobile airtime purchased from different Mobile Network Operators (MNOs) and airtime proceeds in transit. Airtime balance is recorded at face value and has no expiry date. Airtime proceeds in transit represents e-money in the process of being realised in the form of cash against sold airtime.





## Notes to the financial statements (Continued)

### 13 Trust cum settlement account and investments

See accounting policy in Note 42H

| <i>In Taka</i>               | 2018                  | 2017                  |
|------------------------------|-----------------------|-----------------------|
| Trust cum settlement account | 20,104,678,310        | 21,986,269,408        |
| Investment in treasury bills | 7,584,888,738         | -                     |
|                              | <b>27,689,567,048</b> | <b>21,986,269,408</b> |

Trust cum settlement account represents balances with different commercial banks in the form of cash and Fixed Deposit Receipts (FDR) against e-money issued to customers, channel partners, merchants etc.

As per Bangladesh Mobile Financial Services Regulations, 2018 issued by Bangladesh Bank, aggregate of virtual balances (e-money) in all MFS accounts must at the end of each day be in agreement with or be less than the total real cash balances in nominated trust cum settlement account of the MFS provider and invested amount in government securities (which shall represent at least 25% of total e-money balance).

### 14 Investment in fixed deposits

See accounting policy in Note 42H

Investment in fixed deposits represents cash balance invested in different banks in the form of fixed deposits with a maturity period less than 12 months.

### 15 Cash and cash equivalents

See accounting policy in Note 42H

| <i>In Taka</i>          | 2018               | 2017               |
|-------------------------|--------------------|--------------------|
| Cash in hand            | 990,516            | 1,928,762          |
| Cash in digital wallets | 17,074,350         | 14,039,509         |
| Cash at banks           | 242,869,317        | 170,275,069        |
|                         | <b>260,934,183</b> | <b>186,243,340</b> |

### 16 Ordinary shares

See accounting policy in Note 42I

| <i>In Taka</i>                              | No. of shares | 2018        | 2017        |
|---|---------------|-------------|-------------|
| <b>Authorised</b>                           |               |             |             |
| Authorised (par value of Tk. 100 each)      | 4,900,000     | 490,000,000 | 490,000,000 |
| <b>Paid up</b>                              |               |             |             |
| Ordinary shares (par value of Tk. 100 each) | 381,949       | 38,194,900  | 38,194,900  |

#### Percentage of shareholdings

| <i>In Taka</i>                              | No. of shares  | %             | 2018              | 2017              |
|---|----------------|---------------|-------------------|-------------------|
| BRAC Bank Ltd.                              | 194,800        | 51.0%         | 19,480,000        | 19,480,000        |
| Money in Motion LLC, USA                    | 110,688        | 29.0%         | 11,068,800        | 13,940,500        |
| International Finance Corporation           | 37,908         | 9.9%          | 3,790,800         | 4,774,400         |
| Alipay Singapore E-Commerce Private Limited | 38,553         | 10.1%         | 3,855,300         | -                 |
|   | <b>381,949</b> | <b>100.0%</b> | <b>38,194,900</b> | <b>38,194,900</b> |



## Notes to the financial statements (Continued)

### 17 Preference shares

See accounting policy in Note 421

| <i>In Taka</i>   | No. of shares | 2018             | 2017             |
|--|---------------|------------------|------------------|
| <b>Authorised</b>  |               |                  |                  |
| Authorised (par value of Tk. 100 each)                                     | 100,000       | 10,000,000       | 10,000,000       |
| <b>Paid up</b>   |               |                  |                  |
| Bill & Melinda Gates Foundation<br>(par value of Tk. 100 each)             | 32,530        | 3,253,000        | 4,097,000        |
| Alipay Singapore E-Commerce Private Limited<br>(par value of Tk. 100 each) | 55,433        | 5,543,300        | -                |
|  | <b>87,963</b> | <b>8,796,300</b> | <b>4,097,000</b> |

The above preference shares are non-voting, non-cumulative in nature and are convertible to ordinary shares (on a 1:1 basis) at the option of the holders, subject to compliance with the shareholders agreements and relevant laws and regulations.

### 18 Share premium - preference shares

| <i>In Taka</i>                  | 2018                 | 2017               |
|---------------------------------|----------------------|--------------------|
| Balance at 1 January            | 847,412,828          | 847,412,828        |
| Received during the year        | 7,490,510,145        | -                  |
| Adjustment of share issue costs | (51,007,191)         | -                  |
| <b>Balance at 31 December</b>   | <b>8,286,915,782</b> | <b>847,412,828</b> |

During 2018, the Company issued 46,993 non-voting, convertible preference shares of Tk. 100 par value to Alipay Singapore E-Commerce Private Limited for Tk. 7,495,209,445 including share premium. The cost related to issuance of preference shares was adjusted against share premium in line with IAS 32 Financial Instruments: Presentation.

### 19 Capital reserve

The Bangladesh Mobile Financial Services (MFS) Regulations, 2018 requires subsidiary model based MFS providers to build up a capital reserve equal to the amount of minimum paid up capital (Tk. 450 million) from retained earnings, at a rate not less than ten percent of annual after tax profits. In line with the requirements, the Company has transferred 10% of annual after tax profit into capital reserve.

### 20 Share money deposit

This balance represents share money deposit received from Money in Motion (MIM) LLC, USA and International Finance Corporation (IFC).





## Notes to the financial statements (Continued)

### 21 Deferred tax assets/(liabilities)

See accounting policy in Note 42E

| <i>In Taka</i>                             | 2018               | 2017                |
|--|--------------------|---------------------|
| Balance at 1 January                       | (35,986,265)       | 1,338,020           |
| Deferred tax income/(expense) for the year | 34,399,027         | (37,324,285)        |
| <b>Balance at 31 December</b>              | <b>(1,587,238)</b> | <b>(35,986,265)</b> |

| <i>In Taka</i>                       | Carrying amount on reporting date | Tax base             | Taxable temporary difference |
|--------------------------------------|-----------------------------------|----------------------|------------------------------|
| <b>At 31 December 2018</b>           |                                   |                      |                              |
| Property, plant and equipment        | 649,565,549                       | 598,185,559          | 51,379,990                   |
| Intangible assets                    | 548,877,708                       | 391,742,091          | 157,135,617                  |
| Unabsorbed tax loss                  | -                                 | 113,796,893          | (113,796,893)                |
| Gratuity                             | 90,183,748                        | -                    | (90,183,748)                 |
| <b>Taxable temporary differences</b> | <b>1,288,627,005</b>              | <b>1,103,724,543</b> | <b>4,534,966</b>             |

Applicable tax rate 35%

**Deferred tax liabilities (1,587,238)**

|                                      |                    |                    |                    |
|--------------------------------------|--------------------|--------------------|--------------------|
| <b>At 31 December 2017</b>           |                    |                    |                    |
| Property, plant and equipment        | 539,607,623        | 490,536,495        | 49,071,128         |
| Intangible assets                    | 296,960,695        | 198,698,254        | 98,262,441         |
| Gratuity                             | 44,515,670         | -                  | (44,515,670)       |
| <b>Taxable temporary differences</b> | <b>881,083,988</b> | <b>689,234,749</b> | <b>102,817,899</b> |

Applicable tax rate 35%

**Deferred tax liabilities (35,986,265)**

### 22 Defined benefit plan - gratuity

See accounting policy in Note 42C

| <i>In Taka</i>                 | Note | 2018              | 2017              |
|--------------------------------|------|-------------------|-------------------|
| Balance at 1 January           |      | 44,515,670        | 118,480,000       |
| Provision made during the year | 22.1 | 90,524,733        | 50,010,000        |
| Benefits paid                  |      | (44,856,655)      | (123,974,330)     |
| <b>Balance at 31 December</b>  |      | <b>90,183,748</b> | <b>44,515,670</b> |

#### 22.1 Provision made during the year

| <i>In Taka</i>                                      | 2018              | 2017              |
|---|-------------------|-------------------|
| <b>Profit or loss</b>                               |                   |                   |
| Current service cost                                | 56,714,733        | 40,930,000        |
| Interest accrued on defined benefit obligation      | 3,560,000         | 9,080,000         |
|   | <b>60,274,733</b> | <b>50,010,000</b> |
| <b>Other comprehensive (income)/expense</b>         |                   |                   |
| Actuarial (gain)/loss recognised directly in equity | 30,250,000        | -                 |
|   | <b>90,524,733</b> | <b>50,010,000</b> |

#### Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date.

|                        | 2018 | 2017 |
|------------------------|------|------|
| Discount rate          | 8%   | 8%   |
| Salary escalation rate | 10%  | 10%  |



## Notes to the financial statements (Continued)

### 23 Customer and other deposits

See accounting policy in Note 42H

| <i>In Taka</i>     | 2018                  | 2017                  |
|--------------------|-----------------------|-----------------------|
| Customer deposit   | 19,038,024,886        | 14,885,941,261        |
| Channel deposit    | 7,850,517,779         | 6,020,355,942         |
| Deposit in transit | 600,023,050           | 757,639,996           |
|                    | <b>27,488,565,715</b> | <b>21,663,937,199</b> |

Customer deposits represent the balance maintained by customers in their mobile phone in the form of e-money.

Channel deposit represents the balance maintained by agents, distributors and merchants in their mobile phone in the form of e-money. Deposit in transit represents the balance to be transferred from trust cum settlement accounts to operational accounts against ATM cash out, sold airtime top up and requested inward remittance through Western Union and Terrapay.

### 24 Operational and other payables

See accounting policy in Note 42H

| <i>In Taka</i>       | Note | 2018                 | 2017                 |
|----------------------|------|----------------------|----------------------|
| Operational payables | 24.1 | 541,090,436          | 519,896,635          |
| Other payables       | 24.2 | 628,490,748          | 497,095,765          |
| Unearned revenue     | 24.3 | 12,639,166           | 6,180,370            |
|                      |      | <b>1,182,220,350</b> | <b>1,023,172,770</b> |

#### 24.1 Operational payables

| <i>In Taka</i>             | 2018               | 2017               |
|----------------------------|--------------------|--------------------|
| Related parties            | 439,336            | 901,998            |
| Other than related parties | 540,651,100        | 518,994,637        |
|                            | <b>541,090,436</b> | <b>519,896,635</b> |

#### 24.2 Other payables

| <i>In Taka</i>                | 2018               | 2017               |
|-------------------------------|--------------------|--------------------|
| Value added tax               | 211,357,924        | 186,841,396        |
| Withholding tax               | 139,743,069        | 116,532,585        |
| Subscriber acquisition cost   | 169,355,563        | 116,617,228        |
| Interest payable to customers | 83,445,674         | 60,031,846         |
| Security deposits             | 24,588,518         | 17,072,710         |
|                               | <b>628,490,748</b> | <b>497,095,765</b> |

24.3 This represents the unearned commission on unsold portion of mobile airtime purchased from different Mobile Network Operators (MNOs).

### 25 Other non-current liabilities

| <i>In Taka</i>  | 2018             | 2017             |
|---|------------------|------------------|
| Money in Motion LLC, USA  |                  |                  |
| Solution and requirements workshop (Visa Cape Town Proprietary Ltd) | 2,514,308        | 2,514,308        |
| Consultant (Signal Point)   | 4,631,494        | 4,631,494        |
|   | <b>7,145,802</b> | <b>7,145,802</b> |





## Notes to the financial statements (Continued)

### 26 Finance lease liabilities

See accounting policy in Note 42M

| <i>In Taka</i>                          | 2018              | 2017              |
|---|-------------------|-------------------|
| Finance lease liabilities - non current | 33,308,961        | 40,774,231        |
| Finance lease liabilities - current     | 22,297,603        | 17,376,926        |
|   | <b>55,606,564</b> | <b>58,151,157</b> |

Finance lease liabilities are payable as follows:

|   | Future minimum lease payments |                   | Interest         |                  | Present value of minimum lease payments |                   |
|---|-------------------------------|-------------------|------------------|------------------|---|-------------------|
| <i>In Taka</i>                                    | 2018                          | 2017              | 2018             | 2017             | 2018                                    | 2017              |
| Not later than one year                           | 27,918,569                    | 22,301,143        | 5,620,966        | 4,924,218        | 22,297,603                              | 17,376,926        |
| Later than one year but not later than five years | 36,980,901                    | 45,313,437        | 3,671,940        | 4,539,206        | 33,308,961                              | 40,774,231        |
|   | <b>64,899,470</b>             | <b>67,614,580</b> | <b>9,292,906</b> | <b>9,463,424</b> | <b>55,606,564</b>                       | <b>58,151,157</b> |

Lease obligation is subject to floating interest rate.

### 27 Grant funds

See accounting policy in Note 42L

| <i>In Taka</i>                | 2018              | 2017              |
|-------------------------------|-------------------|-------------------|
| Balance at 1 January          | 43,544,365        | 49,464,389        |
| Addition (including interest) | 15,127,613        | 44,642,898        |
| Utilisation of fund           | (45,799,927)      | (50,562,922)      |
| <b>Balance at 31 December</b> | <b>12,872,051</b> | <b>43,544,365</b> |

### 28 Accrued expenses

See accounting policy in Note 42H

| <i>In Taka</i>                          | 2018                 | 2017                 |
|---|----------------------|----------------------|
| Distributor commission                  | 255,874,763          | 224,847,532          |
| Capital expenditure                     | 437,498,714          | 107,317,002          |
| Mobile network operator service charges | 594,875,348          | 423,018,594          |
| Employee benefits                       | 276,274,807          | 227,079,772          |
| Marketing and promotional expenses      | 574,898,076          | 215,559,631          |
| Office rent                             | 8,445,600            | 9,278,057            |
| Training and travelling                 | 37,542,803           | 15,134,439           |
| Audit fee                               | 750,000              | 685,000              |
| Other accruals                          | 178,821,568          | 89,294,227           |
|   | <b>2,364,981,679</b> | <b>1,312,214,254</b> |

### 29 Provision for tax

See accounting policy in Note 42E

| <i>In Taka</i>                 | Note | 2018               | 2017               |
|--------------------------------|------|--------------------|--------------------|
| Balance at 1 January           |      | 617,333,982        | 351,695,662        |
| Provision made during the year | 35   | 377,828,952        | 265,638,320        |
| Charged off during this year   |      | (11,002,950)       | -                  |
| <b>Balance at 31 December</b>  |      | <b>984,159,984</b> | <b>617,333,982</b> |

The Company believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors including interpretation of tax laws and prior experiences.



## Notes to the financial statements (Continued)

### 30 Revenue

See accounting policy in Note 42A

| <i>In Taka</i>                          | 2018                  | 2017                  |
|---|-----------------------|-----------------------|
| Cash out and others                     | 16,515,653,211        | 13,718,300,814        |
| Merchant settlement/disbursements       | 278,840,627           | 108,493,184           |
| Return on trust cum settlement accounts | 2,004,759,147         | 1,256,875,322         |
| Airtime commission                      | 472,885,326           | 431,859,893           |
|   | <b>19,272,138,311</b> | <b>15,515,529,212</b> |

### 31 Cost of services

| <i>In Taka</i>                           | Note | 2018                  | 2017                  |
|--|------|-----------------------|-----------------------|
| Agents and distributors commission       |      | 12,569,093,918        | 10,331,689,123        |
| Mobile Network Operators service charges |      | 1,318,840,931         | 967,190,079           |
| Interest and others                      | 31.1 | 154,454,674           | 108,410,411           |
|  |      | <b>14,042,389,523</b> | <b>11,407,289,613</b> |

31.1 This includes interest paid to customers as per directives issued by Bangladesh Bank.

### 32 Operating and administrative expenses

| <i>In Taka</i>                              | Note | 2018                 | 2017                 |
|---|------|----------------------|----------------------|
| Salary and allowances                       | 32.1 | 1,483,146,540        | 1,154,124,527        |
| Depreciation and amortisation               | 32.2 | 344,858,966          | 262,369,418          |
| Office rent                                 |      | 168,134,293          | 156,584,242          |
| Office maintenance                          |      | 53,890,968           | 42,655,939           |
| Training and workshop                       |      | 94,433,849           | 37,666,893           |
| Bank charges                                |      | 211,391,187          | 29,696,345           |
| Utility                                     |      | 26,663,011           | 20,741,968           |
| Security charges                            |      | 14,138,884           | 13,632,175           |
| Outbound call cost                          |      | 980,829              | 576,390              |
| Professional and legal fees                 |      | 61,880,216           | 54,421,413           |
| Audit fee                                   |      | 750,000              | 685,000              |
| Data entry and archiving                    |      | 23,133,264           | 16,538,700           |
| Vehicle rental expense                      |      | 83,663,938           | 82,950,611           |
| Internet expenses                           |      | 14,659,930           | 12,614,788           |
| Software and other maintenance charge       |      | 413,199,804          | 245,943,575          |
| Insurance                                   |      | 23,357,763           | 13,037,108           |
| Travelling expenses                         | 32.3 | 132,422,392          | 106,993,558          |
| Other operating and administrative expenses | 32.4 | 84,866,115           | 79,840,240           |
|   |      | <b>3,235,571,949</b> | <b>2,331,072,890</b> |

#### 32.1 Salary and allowances

| <i>In Taka</i>                            | 2018                 | 2017                 |
|---|----------------------|----------------------|
| Salary and allowances - regular           | 1,194,877,746        | 946,939,783          |
| Salary and allowances - contractual       | 177,850,237          | 119,084,852          |
| Employer's contribution to gratuity fund  | 60,274,733           | 50,010,000           |
| Employer's contribution to provident fund | 50,143,824           | 38,089,892           |
|   | <b>1,483,146,540</b> | <b>1,154,124,527</b> |

#### 32.2 Depreciation and amortisation

| <i>In Taka</i>                | 2018               | 2017               |
|-------------------------------|--------------------|--------------------|
| Property, plant and equipment | 205,224,471        | 152,119,038        |
| Intangible assets             | 139,634,495        | 110,250,380        |
|                               | <b>344,858,966</b> | <b>262,369,418</b> |



## Notes to the financial statements (Continued)

### 32.3 Travelling expenses

| <i>In Taka</i>                 | 2018        | 2017        |
|--------------------------------|-------------|-------------|
| Travelling expenses - overseas | 38,525,560  | 34,836,598  |
| Travelling expenses - local    | 93,896,832  | 72,156,960  |
|                                | 132,422,392 | 106,993,558 |

### 32.4 Other operating and administrative expenses

| <i>In Taka</i>                  | 2018       | 2017       |
|---------------------------------|------------|------------|
| Entertainment                   | 405,497    | 858,518    |
| Meeting                         | 9,960,516  | 4,230,723  |
| Foreign exchange loss           | 962,050    | 5,955,218  |
| Board meeting attendance fee    | 1,517,264  | 1,520,259  |
| Office expenses                 | 27,425,267 | 21,773,039 |
| Loss on disposal                | 2,435,064  | 3,237,357  |
| Corporate social responsibility | -          | 7,973,170  |
| Communication                   | 29,173,007 | 26,577,717 |
| Printing and stationery         | 11,180,516 | 7,436,827  |
| Miscellaneous                   | 1,806,934  | 277,412    |
|                                 | 84,866,115 | 79,840,240 |

### 33 Marketing and promotional expenses

| <i>In Taka</i>                 | 2018          | 2017          |
|--------------------------------|---------------|---------------|
| Subscriber acquisition charges | 320,473,749   | 362,491,571   |
| Campaign charges               | 424,384,471   | 75,577,888    |
| Customer communication         | 33,554,269    | 13,061,029    |
| Point of sale materials        | 197,573,698   | 173,693,733   |
| Alternative channel marketing  | 110,174,362   | 95,163,886    |
| Advertisement                  | 649,026,476   | 296,826,565   |
| Corporate event management     | 105,911,975   | 42,024,055    |
| Market research                | 20,942,570    | 15,788,430    |
|                                | 1,862,041,570 | 1,074,627,157 |

### 34 Net finance income

See accounting policy in Note 42D

| <i>In Taka</i>             | 2018        | 2017        |
|----------------------------|-------------|-------------|
| Interest on fixed deposits | 420,525,647 | 115,865,174 |
| Interest on bank balances  | 41,957,476  | 16,714,443  |
| Interest on finance lease  | (6,749,744) | (4,799,832) |
|                            | 455,733,379 | 127,779,785 |

### 35 Income tax expenses

See accounting policy in Note 42E

| <i>In Taka</i>                | Note | 2018         | 2017        |
|-------------------------------|------|--------------|-------------|
| Current tax                   |      | 377,828,952  | 265,638,320 |
| Deferred tax expense/(income) | 35.1 | (23,811,527) | 37,324,285  |
|                               |      | 354,017,425  | 302,962,605 |

#### 35.1 Deferred tax expense/(income)

| <i>In Taka</i>  | 2018         | 2017         |
|---|--------------|--------------|
| Deferred tax asset/(liabilities) at the beginning of the year             | (35,986,265) | 1,338,020    |
| Less: Deferred tax asset/(liabilities) at the end of the year             | (1,587,238)  | (35,986,265) |
|   | (34,399,027) | 37,324,285   |
| Deferred tax attributable to actuarial loss recognised directly in equity | 10,587,500   | -            |
| Deferred tax expense/(income) recognised directly in profit               | (23,811,527) | 37,324,285   |

## Notes to the financial statements (Continued)

### 36 Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk (see (ii))
- Liquidity risk (see (iii))
- Market risk (see (iv))

#### (i) Risk management framework

The Company's management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### (ii) Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The balances maintained with different banks represents most significant source of credit risk for the Company.

#### (a) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

| In Taka                                      | Note | Carrying amount       |                       |
|--|------|-----------------------|-----------------------|
|  |      | 2018                  | 2017                  |
| Operational and other receivables            | 8    | 965,103,088           | 426,953,282           |
| Security deposits - rent                     | 9    | 7,139,880             | 5,416,600             |
| Trust cum settlement account and investments | 13   | 27,689,567,048        | 21,986,269,408        |
| Investment in fixed deposits                 | 14   | 9,204,200,000         | 2,121,800,000         |
| Cash at banks                                | 15   | 242,869,317           | 170,275,069           |
|  |      | <b>38,108,879,333</b> | <b>24,710,714,359</b> |

#### (b) Aging of operational and other receivables

At 31 December, the aging of operational and other receivables that were not impaired was as follows:

| In Taka                       | Note | Carrying amount    |                    |
|-------------------------------|------|--------------------|--------------------|
|                               |      | 2018               | 2017               |
| Neither past due nor impaired | 8    | 965,103,088        | 426,953,282        |
| Past due 1 - 30 days          |      | -                  | -                  |
| Past due 31 - 90 days         |      | -                  | -                  |
| Past due 91 - 120 days        |      | -                  | -                  |
| Past due 91 - 360 days        |      | -                  | -                  |
| Past due 361+ days            |      | -                  | -                  |
|                               |      | <b>965,103,088</b> | <b>426,953,282</b> |





## Notes to the financial statements (Continued)

### (iii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company aims to maintain the level of its cash and cash equivalents and other investments at amounts in excess of expected cash outflows on financial liabilities. The Company also monitors the level of expected cash inflows on operational and other receivables together with expected cash outflows on operational and other payables.

#### Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

| 31 December 2018                            |      | Contractual cash flows |                |                  |             |             |
|---|------|------------------------|----------------|------------------|-------------|-------------|
| In Taka                                     | Note | Carrying amount        | Total          | 2 months or less | 1 - 2 years | 2 - 5 years |
| <b>Non-derivative financial liabilities</b> |      |                        |                |                  |             |             |
| Defined benefit plan - gratuity             | 22   | 90,183,748             | 90,183,748     | -                | -           | -           |
| Customer and other deposits                 | 23   | 27,488,565,715         | 27,488,565,715 | -                | -           | -           |
| Operational and other payables              | 24   | 1,182,220,350          | 1,182,220,350  | -                | -           | -           |
| Other non-current liabilities               | 25   | 7,145,802              | 7,145,802      | -                | -           | -           |
| Finance lease liabilities                   | 26   | 55,606,564             | 55,606,564     | -                | -           | 7,145,802   |
| Accrued expenses                            | 28   | 2,364,981,679          | 2,364,981,679  | 859,195,711      | 20,782,151  | 12,526,810  |
|   |      | 31,188,703,858         | 31,188,703,858 | 28,363,910,690   | 20,782,151  | 19,672,612  |
| <b>Derivative financial liabilities</b>     |      |                        |                |                  |             |             |
|   |      | -                      | -              | -                | -           | -           |
|   |      | 31,188,703,858         | 31,188,703,858 | 28,363,910,690   | 20,782,151  | 19,672,612  |
| <b>31 December 2017</b>                     |      |                        |                |                  |             |             |
| In Taka                                     | Note | Carrying amount        | Total          | 2 months or less | 1 - 2 years | 2 - 5 years |
| <b>Non-derivative financial liabilities</b> |      |                        |                |                  |             |             |
| Defined benefit plan - gratuity             | 22   | 44,515,670             | 44,515,670     | -                | -           | -           |
| Customer and other deposits                 | 23   | 21,663,937,199         | 21,663,937,199 | -                | -           | -           |
| Operational and other payables              | 24   | 1,023,172,770          | 1,023,172,770  | -                | -           | -           |
| Other non-current liabilities               | 25   | 7,145,802              | 7,145,802      | -                | -           | -           |
| Finance lease liabilities                   | 26   | 58,151,157             | 58,151,157     | -                | -           | 7,145,802   |
| Accrued expenses                            | 28   | 1,312,214,254          | 1,312,214,254  | 647,866,126      | 19,164,652  | 21,609,580  |
|   |      | 24,109,136,852         | 24,109,136,852 | 22,320,750,731   | 19,164,652  | 28,755,382  |
| <b>Derivative financial liabilities</b>     |      |                        |                |                  |             |             |
|   |      | -                      | -              | -                | -           | -           |
|   |      | 24,109,136,852         | 24,109,136,852 | 22,320,750,731   | 19,164,652  | 28,755,382  |



## Notes to the financial statements (Continued)

### (iv) Market risk

Market risk is the risk that any change in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### a) Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which purchases are denominated and the functional currency of the Company. The functional currency of the Company is Bangladeshi Taka (Taka/TK/BDT). The foreign currency in which these transactions are denominated is US Dollar (USD).

#### Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as at balance sheet date is as follows:

| <i>In USD</i>                                   | <i>Note</i> | <i>2018</i>      | <i>2017</i>    |
|---|-------------|------------------|----------------|
| <b>Foreign currency denominated liabilities</b> |             |                  |                |
| Current liabilities                             |             | 3,823,167        | 555,517        |
| Other non-current liabilities                   | 25          | 91,029           | 91,029         |
| <b>Net exposure</b>                             |             | <b>3,914,196</b> | <b>646,546</b> |

The following significant exchange rates have been applied during the year:

| <i>In Taka</i> | <i>Average rate</i> |             | <i>Year-end spot rate</i> |             |
|----------------|---------------------|-------------|---------------------------|-------------|
|                | <i>2018</i>         | <i>2017</i> | <i>2018</i>               | <i>2017</i> |
| USD            | 83.51               | 80.63       | 83.90                     | 82.70       |

#### Sensitivity analysis

A reasonably possible strengthening/(weakening) of foreign currency against functional currency at the reporting date would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignore any impact of forecast sales and purchase.

| <i>Effect in Taka</i>   | <i>Profit/(loss)</i> |                  | <i>Equity, net of tax increase/(decrease)</i> |                  |
|-------------------------|----------------------|------------------|---|------------------|
|                         | <i>Strengthening</i> | <i>Weakening</i> | <i>Strengthening</i>                          | <i>Weakening</i> |
| <b>31 December 2018</b> |                      |                  |   |                  |
| USD (5% movement)       | (16,420,051)         | 16,420,051       | (16,420,051)                                  | 16,420,051       |
| <b>31 December 2017</b> |                      |                  |   |                  |
| USD (5% movement)       | (2,673,468)          | 2,673,468        | (2,673,468)                                   | 2,673,468        |

#### b) Interest rate risk

This risk arises due to changes in interest rates on different interest-bearing instruments.

#### Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments as at statement of financial position date is as follows.

| <i>In Taka</i>                   | <i>Note</i> | <i>Nominal Amount</i> |                |
|----------------------------------|-------------|-----------------------|----------------|
|                                  |             | <i>2018</i>           | <i>2017</i>    |
| <b>Fixed rate instruments</b>    |             |                       |                |
| <b>Financial assets</b>          |             |                       |                |
| Fixed deposits                   | 13 & 14     | 22,604,200,003        | 17,511,800,003 |
| Investment in treasury bills     | 13          | 7,584,888,738         | -              |
| <b>Financial liabilities</b>     |             |                       |                |
|                                  |             | 30,189,088,741        | 17,511,800,003 |
| <b>Variable rate instruments</b> |             |                       |                |
| <b>Financial assets</b>          |             |                       |                |
| Cash at banks                    | 13 & 15     | 6,947,547,624         | 6,766,544,474  |
| <b>Financial liabilities</b>     |             |                       |                |
| Finance lease liabilities        | 26          | (55,606,564)          | (58,151,157)   |
|                                  |             | 6,891,941,060         | 6,708,393,317  |



## Notes to the financial statements (Continued)

### v) Financial instruments - fair values and risk management

#### Accounting classifications and fair values

The following table shows the carrying amounts and fair values, where applicable, of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| 31 December 2018<br>In Taka                      | Note    | Fair value-<br>hedging<br>instruments | Carrying amount |                             |                               |  | Total          |
|--|---------|---------------------------------------|-----------------|-----------------------------|-------------------------------|--|----------------|
|  |         |                                       | FVOTPL – others | FVOCI – debt<br>instruments | FVOCI – equity<br>instruments | Financial assets<br>at amortised<br>cost |                |
| Financial assets measured at fair value          |         |                                       |                 |                             |                               |  |                |
| Financial assets not measured at fair value      |         |                                       |                 |                             |                               |  |                |
| Operational and other receivables                | 8       | -                                     | -               | -                           | -                             | 965,103,088                              | 965,103,088    |
| Security deposits - rent                         | 9       | -                                     | -               | -                           | -                             | 7,139,880                                | 7,139,880      |
| Cash at banks                                    | 13 & 15 | -                                     | -               | -                           | -                             | 6,947,547,624                            | 6,947,547,624  |
| Investment in treasury bills                     | 13      | -                                     | -               | -                           | -                             | 7,584,888,738                            | 7,584,888,738  |
| Fixed deposits                                   | 13 & 14 | -                                     | -               | -                           | -                             | 22,604,200,003                           | 22,604,200,003 |
|  |         | -                                     | -               | -                           | -                             | 38,108,879,333                           | 38,108,879,333 |
| Financial liabilities measured at fair value     |         |                                       |                 |                             |                               |  |                |
| Financial liabilities not measured at fair value |         |                                       |                 |                             |                               |  |                |
| Customer and other deposits                      | 23      | -                                     | -               | -                           | -                             | 27,488,565,715                           | 27,488,565,715 |
| Operational and other payables                   | 24      | -                                     | -               | -                           | -                             | 1,169,581,185                            | 1,169,581,185  |
| Other non-current liabilities                    | 25      | -                                     | -               | -                           | -                             | 7,145,802                                | 7,145,802      |
| Finance lease liabilities                        | 26      | -                                     | -               | -                           | -                             | 55,606,564                               | 55,606,564     |
| Accrued expenses                                 | 28      | -                                     | -               | -                           | -                             | 2,364,981,679                            | 2,364,981,679  |
|  |         | -                                     | -               | -                           | -                             | 31,085,880,945                           | 31,085,880,945 |



# Notes to the financial statements (Continued)

| 31 December 2017<br>In Taka                      | Note    | Carrying amount                       |                |                             |                               |  | Total          |
|--|---------|---------------------------------------|----------------|-----------------------------|-------------------------------|--|----------------|
|  |         | Fair value-<br>hedging<br>instruments | FVTPL – others | FVOCI – debt<br>instruments | FVOCI – equity<br>instruments | Financial assets<br>at amortised<br>cost |                |
| Financial assets measured at fair value          |         |                                       |                |                             |                               |  |                |
| Financial assets not measured at fair value      |         |                                       |                |                             |                               |  |                |
| Operational and other receivables                | 8       | -                                     | -              | -                           | -                             | 426,953,282                              | 426,953,282    |
| Security deposits - rent                         | 9       | -                                     | -              | -                           | -                             | 5,416,600                                | 5,416,600      |
| Cash at banks                                    | 13 & 15 | -                                     | -              | -                           | -                             | 6,766,544,474                            | 6,766,544,474  |
| Fixed deposits                                   | 13 & 14 | -                                     | -              | -                           | -                             | 17,511,800,003                           | 17,511,800,003 |
|  |         | -                                     | -              | -                           | -                             | 24,710,714,359                           | 24,710,714,359 |
| Financial liabilities measured at fair value     |         |                                       |                |                             |                               |  |                |
| Financial liabilities not measured at fair value |         |                                       |                |                             |                               |  |                |
| Customer and other deposits                      | 23      | -                                     | -              | -                           | -                             | 21,663,937,199                           | 21,663,937,199 |
| Operational and other payables                   | 24      | -                                     | -              | -                           | -                             | 1,016,992,400                            | 1,016,992,400  |
| Other non-current liabilities                    | 25      | -                                     | -              | -                           | -                             | 7,145,802                                | 7,145,802      |
| Finance lease liabilities                        | 26      | -                                     | -              | -                           | -                             | 58,151,157                               | 58,151,157     |
| Accrued expenses                                 | 28      | -                                     | -              | -                           | -                             | 1,312,214,254                            | 1,312,214,254  |
|  |         | -                                     | -              | -                           | -                             | 24,058,440,812                           | 24,058,440,812 |





## Notes to the financial statements (Continued)

### 37 Commitments

As at 31 December 2018, the Company is committed to incur capital expenditure of Tk. 407 million (31 December 2017: Tk. 60 million).

### 38 Contingencies

See accounting policy in Note 42O

#### a) Income tax

There are unresolved disputed corporate tax assessments by the authorities for the financial year 2012 and 2013. In particular, for the year 2012, tax authorities have disallowed certain business expenses thus reducing the overall business loss for that year. The matter is currently under appeal with the High Court Division of the Honourable Supreme Court of Bangladesh. Considering the merits of the authorities' assessment, it has not been deemed necessary to make provisions for additional tax claimed as per such assessments.

#### b) Demand guarantee

| <i>In Taka</i>       | Start date       | Expiry date      | 2018      |
|----------------------|------------------|------------------|-----------|
| World Food Programme | 20 June 2017     | 19 December 2021 | 1,800,000 |
|                      | 28 November 2018 | 19 December 2021 | 2,400,000 |

These Demand Guarantee were issued by NCC Bank Limited on behalf of the Company in favor of World Food Programme (WFP) as Performance Security for disbursement of WFP's various allowances to its beneficiaries.

### 39 Related parties

#### a) Parent and ultimate controlling party

BRAC Bank Limited is the parent and ultimate controlling party of the Company by virtue of holding 51% voting shares along with majority representation on the Board of Directors.

#### b) Transactions with key management personnel

##### (i) Loans to directors

During the year, no loan was given to the directors of the Company.

##### (ii) Key management personnel compensation

Key management personnel compensation comprised the following:

| <i>In Taka</i>               | 2018      | 2017      |
|------------------------------|-----------|-----------|
| Board meeting attendance fee | 1,517,264 | 1,520,259 |
|                              | 1,517,264 | 1,520,259 |

Company's key management personnel includes the Company's directors. No compensation other than board meeting attendance fee is given to them.



## Notes to the financial statements (Continued)

### (c) Other related party transactions

| <i>In Taka</i>                               | Transaction values for the year ended |                  | Balance outstanding as at |                  |
|--|---------------------------------------|------------------|---------------------------|------------------|
|  | 31 December 2018                      | 31 December 2017 | 31 December 2018          | 31 December 2017 |
| <b>Purchase of services and supplies</b>     |                                       |                  |                           |                  |
| <i>Parent and ultimate controlling party</i> |                                       |                  |                           |                  |
| BRAC Bank Limited                            |                                       |                  |                           |                  |
| - Bank charge, ATM and remittance            | (445,355,200)                         | (194,875,089)    | (439,336)                 | (901,998)        |
| <i>Entities with significant influence</i>   |                                       |                  |                           |                  |
| Money in Motion LLC, USA                     |                                       |                  |                           |                  |
| - Other receivables / (payables)             | -                                     | -                | (7,145,802)               | (7,145,802)      |
| <b>Others</b>                                |                                       |                  |                           |                  |
| <i>Parent and ultimate controlling party</i> |                                       |                  |                           |                  |
| BRAC Bank Limited                            |                                       |                  |                           |                  |
| - BRAC SME and remittance                    | 975,944                               | 1,031,564        | 227,373                   | 613,209          |
| - Interest income                            | 17,750,000                            | 29,925,000       | 17,750,000                | 29,925,000       |
| <i>Entities with significant influence</i>   |                                       |                  |                           |                  |
| International Finance Corporation            |                                       |                  |                           |                  |
| - Grant funds                                | -                                     | 21,327,076       | (350)                     | (350)            |
| Bill & Melinda Gates Foundation              |                                       |                  |                           |                  |
| - Grant funds                                | 36,556,192                            | 23,856,655       | (6,987,823)               | (43,544,015)     |

### 40 Other disclosures

#### 40.1 Number of employees

As at 31 December 2018, number of regular employees receiving remuneration of Tk. 36,000 or above per annum was 776 (31 December 2017: 701).

#### 40.2 Comparatives

Previous year's figures have been rearranged, wherever considered necessary to conform to the current year's presentation.

#### 40.3 Operating lease

The Company leases a number of offices and warehouse facilities under operating lease. The leases typically run for a period of 5 years, with an option to renew the lease after that date. Lease payments are adjusted at predetermined intervals to reflect market rentals. For certain operating leases, the Company is restricted from entering into any sub-lease arrangements.

#### Future minimum lease payments

In 2018 and 2017 there were no future minimum lease payments payable under non-cancellable leases.





## **Notes to the financial statements (Continued)**

---

### **40.4 Bangladesh Mobile Financial Services (MFS) Regulations, 2018**

Bangladesh Bank issued regulations titled "Bangladesh Mobile Financial Services (MFS) Regulations, 2018" on 30 July 2018. The new regulations replaced the previously issued "Guidelines on Mobile Financial Services for the Banks" and subsequent amendments thereto and comes into effect along with the Bangladesh Payment and Settlement Systems Regulations, 2014.

Above mentioned MFS Regulation permits only scheduled commercial bank led MFS, where either the bank may run the MFS as a product of the bank or may form a subsidiary with at least 51% shares held by the bank with control of the board.

Upon issuance of the regulation, Bangladesh Bank on 9 October 2018, issued an approval in favor of bKash for operating as a Payment System Provider (PSP).

### **40.5 Session based USSD pricing**

The Bangladesh Telecommunication Regulatory Commission (BTRC) issued a circular on 14 August 2018 introducing session-based USSD (Unstructured Supplementary Service Data) pricing for Mobile Financial Services providers. Under the new model, the MNOs will charge bKash for each 90-second session of a customer using USSD. Prior to this circular being issued, bKash used to pay 7% of its revenue to MNOs as service charge.

### **40.6 Subsequent events**

No material events had occurred after the reporting date to the date of issue of these financial statements, which could affect the values stated in the financial statements.

### **41 Basis of measurement**

The financial statements have been prepared on going concern basis under the historical cost convention except for defined benefit liability which is measured at present value of defined benefit obligation as described in Note 42C(iii).



## Notes to the financial statements (Continued)

### 42 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise (see also Note 5).

Certain comparative amounts in the statement of financial position and statement of profit or loss and other comprehensive income have been reclassified/represented, as a result of either a change in accounting policy (see Note 5), or re-arrangement of certain line items during the current year for better presentation.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow:

- A Revenue
- B Foreign currency
- C Employee benefits
- D Finance income
- E Income tax
- F Property, plant and equipment
- G Intangible assets
- H Financial instruments
- I Share capital
- J Impairment
- K Provisions
- L Grant funds
- M Leases
- N Going concern
- O Contingencies
- P Statement of cash flows
- Q Events after the reporting period
- R Materiality and aggregation

#### A Revenue

Under IFRS 15, revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it satisfies a performance obligation when it transfers control over a good or service to a customer.

The Company considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

#### Nature of goods and services

The following is a description of the principal activities from which the Company generates its revenue.

**(a) Cash out and others:** Revenue from cash out and others include service charge for cash out, Person to Person (P2P) balance transfer, and remittance. Revenue from this service is recognised at the time a customer performs such transaction.

**(b) Merchant settlement/disbursements:** Revenue from this service includes fees earned from merchant/business entities against settlement of e-money against cash or disbursements of e-money on their behalf. Revenue from this service is recognised at the time of transaction.





## Notes to the financial statements (Continued)

(c) **Return on trust cum settlement account:** This represents revenue/earnings generated from utilisation of real money raised from customers against issuance of e-money. Such real money is invested in various forms through trust cum settlement account in line with the provisions of Bangladesh Mobile Financial Services (MFS) Regulations 2018 and PSP license issued by Bangladesh Bank. Revenue from this investment is recognised over a period of time based on effective rate of return.

Circulation of e-money through customer wallets and efficient utilisation of underlying physical cash essentially represents the essence of mobile financial service business. Accordingly, income generated from investments through trust cum settlement accounts constitute revenue earned through ordinary course of business for bKash.

As per directives issued by Bangladesh Bank, bKash has to pay interest to its customers against wallet balance.

(d) **Airtime commission:** Commission on airtime is recognised when a customer purchases mobile airtime using his/her e-money in bKash wallet.

(e) **Unearned revenue:** This represents the unearned commission on unsold portion of purchased mobile airtime from different MNOs.

### Contract costs

Contract costs are costs that are incremental to obtaining a contract with a customer or costs that are directly related to fulfilling a specified contract with a customer (fulfillment costs). Incremental costs of obtaining a contract with a customer is recognised as an asset if the expectation is that the costs will be recoverable except for incremental costs that would have been amortised in a year or less. These may be expensed as incurred.

Contract costs are capitalised as assets and recognised in profit or loss in a way that is consistent with the transfer of the related goods and services. Customer acquisition costs for the Company include commissions and other directly attributable costs related to acquisition of customers.

Management expects that customer acquisition costs are recoverable over average expected lifetime of the customer i.e. four years.

## B Foreign currency

Transactions in foreign currencies are translated to the functional currencies at an exchange rate prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transactions.

## C Employee benefits

### (i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### (ii) Defined contribution plans - provident fund

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Company has started to maintain a Provident Fund as defined contribution plan from April 2014 for its eligible permanent employees. All permanent employees contribute at the rate of 10% of their basic salary to the provident fund and the Company also makes equal contribution. The fund is duly recognised by the National Board of Revenue (NBR) and operated by an independent trustee board.





## Notes to the financial statements (Continued)

### (iii) Defined benefit plan - gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Remeasurements of the net defined benefit liability which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit and loss.

When the benefit of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The Employees' Gratuity fund is being considered as a defined benefit plan as it meets the recognition criteria. The Company operates a gratuity scheme from 2015 for its permanent employees. Employees are entitled to gratuity benefit after completion of minimum five years of service with the Company. The fund is duly recognised by the National Board of Revenue (NBR) and operated by an independent trustee board.

### (iv) Workers' Profit Participation Fund (WPPF)

The Company operates funds for beneficiaries as 'Workers' Profit participation Fund' and 5% of the profit before charging such expense have been transferred to this fund as per section 234 of the Labour Act 2006 (amended in 2013).

## D Finance income

Finance income includes mainly interest on deposits with banks. Finance income is recognised on accrual basis and presented net of finance cost. The Company's finance cost includes interest expense on lease which is recognised at amortised cost.

## E Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI (other comprehensive income).

### (i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. The Company files its tax return on the basis of a private limited company, as such the applicable tax rate for the Company is currently 35% as per Finance Act 2018 and Income Tax Ordinance 1984 (2017: 35%).

### (ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- taxable temporary differences arising on the initial recognition of goodwill.





## Notes to the financial statements (Continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

### F Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of assets. The cost of an item of property, plant and equipment comprises its purchase price, import duties and non-refundable taxes, after deducting trade discount and rebates, and any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the intended manner. Work in progress represents the cost incurred for acquisition and/or construction of items of property, plant and equipment that are not ready for use which is measured at cost.

#### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### (iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

For addition of property, plant and equipment, depreciation is charged from the month following the month of capitalisation and full month depreciation is charged in the month of disposal.

The estimated useful lives of property, plant and equipment are as follows:

#### In Years

|                         |   |
|-------------------------|---|
| Office furniture        | 5 |
| Office equipment        | 5 |
| IT equipment            | 5 |
| Laptop & computer       | 3 |
| Motor vehicles          | 5 |
| Leasehold improvements  | 5 |
| Motor vehicles - leased | 5 |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The Company has changed the useful life of office furniture from 10 years to 5 years. This change in estimation is effective from 1 July 2018 (2017: 10 years).





## Notes to the financial statements (Continued)

### (iv) Impairment

The carrying amount of the bKash's non-financial assets, other than deferred tax assets (considered as disclosed separately under respective accounting standards) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

However, no such conditions that might be suggestive of a heightened risk of impairment of property, plant and equipment existed at the reporting date.

### (v) Retirement and disposals

An asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal. Gains or losses arising from the retirement or disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised as gain or loss from disposal of asset in profit or loss.

## G Intangible assets

### (i) Recognition and measurement

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Work in progress represents the cost incurred for acquisition and/or construction of items of intangible assets that are not ready for use which is measured at cost.

### (ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

### (iii) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, from the date that they are available for use, and is generally recognised in profit or loss.

The estimated useful life of software is 5 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## H Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in statement of financial position when the company becomes a party to the contractual provisions of the instrument.

At initial recognition a financial instrument is measured at fair value including transaction costs unless the financial instrument is carried at FVTPL, in which case the transaction costs are immediately recognised in profit or loss.

### (i) Financial assets

Under IFRS 9, on initial recognition, a financial asset is classified and measured at amortised cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

### Classification

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- a) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



## **Notes to the financial statements (Continued)**

The Company's financial assets measured at amortised cost comprise operational and other receivables, security deposits, cash at banks, government securities, and fixed deposits etc.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus/(minus), in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### **Subsequent measurement**

The following accounting policies apply to the subsequent measurement of financial assets.

#### **Financial assets at FVTPL**

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

#### **Financial assets at amortised cost**

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Operational receivables are classified as financial assets measured at amortised cost.

#### **Debt investments at FVOCI**

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

#### **Equity investments at FVOCI**

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

### **Derecognition**

The Company derecognises a financial asset when, and only when:

- (a) the contractual rights to the cash flows from the financial asset expire, or
- (b) it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

#### **(ii) Financial liabilities**

The Company initially recognises financial liabilities on the transaction date at which the Company becomes a party to the contractual provisions of the liability. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

The Company recognises such financial liability when its contractual obligations arising from past events are certain and the settlement of which is expected to result in an outflow from the entity of resources embodying benefits.





## **Notes to the financial statements (Continued)**

### **Classification**

- Financial liabilities at amortised cost; or
- Financial liabilities as at fair value through profit or loss (FVTPL).

### **Subsequent measurement**

For the purpose of subsequent measurement financial liabilities are either measured at amortised cost or at FVTPL.

The Company's financial liabilities comprise deposits, defined benefit plan, operational and other payables, grant funds, other non-current liabilities and accrued expenses.

bKash classifies all financial liabilities as subsequently measured at amortised cost, except for:

- financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- financial guarantee contracts.
- commitments to provide a loan at a below-market interest rate.
- contingent consideration.

### **Offsetting a financial asset and a financial liability**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

## **I Share capital**

Incremental costs directly attributable to the issue of shares, net of any tax effects, are recognised as a deduction from equity.

## **J Impairment**

### **Financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The financial assets at amortised cost consist of operational receivables, security deposits, cash and cash equivalents and investment in treasury bills. The Company measures loss allowances at an amount equal to ECL from operational receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company uses a simplified "provision matrix" for calculating expected losses as a practical expedient (e.g., for operational receivables), if consistent with the general principles for measuring expected losses. The provision matrix is based on the Company's historical default rates over the expected life of the operational receivables and is adjusted for forward-looking estimates.

The Company considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by bKash to actions such as realising security (if any is held).





## Notes to the financial statements (Continued)

### Measurement of Expected Credit Losses (ECL)

The Company measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

While measuring credit loss, the Company considers the maximum contractual period it is exposed to credit risk and considers the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

### Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs (cash-generating units).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

### K Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation in compliance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

### L Grant funds

The Company follows capital approach for recognition of donor grants. Any unutilised grant fund is shown as a liability in the statement of financial position.

### M Leases

#### i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease.

At inception or reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair value. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.





## **Notes to the financial statements (Continued)**

### **ii) Leased assets**

Leases of property, plant and equipment that transfer to the Company substantially all of the risks and the rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to the asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

### **iii) Lease payments**

Payments made under operating lease are charged to profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expenses, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## **N Going concern**

The Company has adequate resources to continue in operation for the foreseeable future. For this reason the management continues to adopt going concern basis in preparing the financial statements. The current resources of the Company provide sufficient funds to meet the present requirements of its existing business.

## **O Contingencies**

### **Contingent liability**

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

The Company discloses contingent liability in the financial statements. A provision is recognised in the period in which the recognition criteria of provision is met.

### **Contingent asset**

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

The Company does not recognise contingent assets. Only when the realisation of the related economic benefits are visually certain should recognition take place provided that it can be measured reliably because, at that point, the asset is no longer contingent.

## **P Statement of cash flows**

Statement of cash flows have been prepared in accordance with the International Accounting Standards 7: "Statement of cash flows" under direct method.

Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Operating activities are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities.

Investing activities relate to the acquisition and disposal of long-term assets and other investments not included in cash equivalents.





## **Notes to the financial statements (Continued)**

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

Investments that are held for the purpose of meeting short-term cash commitments, are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value are accounted for as cash equivalents.

### **Q Events after the reporting period**

Events after the reporting period that provide additional information about the Company's position at the reporting date or those that indicate the going concern assumption is not appropriate are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

### **R Materiality and aggregation**

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

### **43 Standards issued but not yet effective**

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. However, the Company has not early applied the following new standard in preparing these financial statements.

#### **IFRS 16 Leases**

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, 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.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. Based on initial assessment, the impact of adoption of IFRS 16 is not expected to be material.



**Appendix - D**

**Audited financial statements  
of  
BRAC SAAJAN Exchange Limited**



Company Registration No. 06469886 (England and Wales)

**BRAC SAAJAN EXCHANGE LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

# BRAC SAAJAN EXCHANGE LTD

## COMPANY INFORMATION

---

**Directors** Mr Kazi Mahmood Sattar  
Mr Selim Reza Farhad Hussain  
Mr Abdus Salam

**Secretary** Mr Rais Uddin Ahmed

**Company number** 06469886

**Registered office** 160-162 Lozells Road  
Lozells  
Birmingham  
B19 2SX

**Auditor** Reddy Siddiqui LLP  
183-189 The Vale  
Acton  
London  
W3 7RW

---



# BRAC SAAJAN EXCHANGE LTD

## CONTENTS

---

|                                       | Page    |
|---------------------------------------|---------|
| Strategic report                      | 1 - 5   |
| Directors' report                     | 6       |
| Directors' responsibilities statement | 7       |
| Independent auditor's report          | 8 - 9   |
| Statement of comprehensive income     | 10      |
| Balance sheet                         | 11      |
| Statement of changes in equity        | 12      |
| Statement of cash flows               | 13      |
| Notes to the financial statements     | 14 - 33 |

---

# BRAC SAAJAN EXCHANGE LTD

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present the strategic report for the year ended 31 December 2018.

### Fair review of the business

The company, a subsidiary of BRAC Bank Limited of Bangladesh, provides remittance services and cross-border payment solutions for South Asian and Eastern European migrants living in Europe. It offers a wide range of payment services principally to Bangladesh and Pakistan but also to India, Sri Lanka, Poland and Romania. The company also offers its services through a French subsidiary, based in Paris.

Revenue is earned through a combination of transaction fees and foreign exchange margin.

The company continues to grow with total remittance to all receiving countries up by £175m (57%) in 2018 to £480m. The primary driver of this growth was a boost in commercial aggregators' remittance volumes of £114m (353%). Retail volume increased by £49m (18%) and an expansion of the EU operation contributed £13m (30%).

As a result, turnover increased by 49% to just under £7m. The gross margin increased to 58%.

The table below shows a detailed comparison of 2018 performance vs. 2017.

| Income Statement Line Item | 2018        | 2017        | Change |
|----------------------------|-------------|-------------|--------|
| Income                     | £ 6,917,796 | £ 4,629,558 | 49%    |
| Cost of Services           | £ 2,906,039 | £ 2,150,668 | 35%    |
| Gross Profit               | £ 4,011,757 | £ 2,478,890 | 62%    |
| Gross Margin               | 58%         | 54%         | 4%     |
| Expenses                   | £ 3,241,467 | £ 2,123,366 | 53%    |
| Net Operating Income       | £ 770,290   | £ 355,524   | 117%   |
| Total Other Income         | £ 56,368    | £ 101,312   | -44%   |
| Loan Interest and similar  | £ 145,700   | £ 88,613    | 64%    |
| Bad Debt                   | £ 22,591    | £ 52,267    | -57%   |
| Tax                        | £ 122,705   | £ 53,166    | 131%   |
| Total Other Expenses       | £ 290,995   | £ 194,047   | 50%    |
| Net Income                 | £ 535,662   | £ 262,789   | 104%   |



# BRAC SAAJAN EXCHANGE LTD

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

---

### Principal risks and uncertainties

The principal risks and uncertainties facing the company are compliance and operational risk, financial risks and strategic risks. The risk identification and mitigation activities are built into the day-to-day operations of the company. It is the responsibility of the Board to adopt and oversee the implementation of risk management and risk appetite throughout the company and its affiliates globally.

### Board expectations

The business management (1st line of defence) will take responsibility for the implementation of risk appetite, and the Risk and Compliance function (2nd line of defence) will work with the 1st line to ensure that levels of risk against risk appetite is reported to the Board and escalated where lines of business are outside appetite. Audit (3rd line of defence) will ensure independent assurance of the systems and controls in place are adequate and effective to mitigate the risks.

### Risks faced by the company

In summary, the company is exposed to the following types of risk.

- Operational & compliance risks (i.e. risks associated with people, processes and systems)
- Financial risks (e.g. credit, liquidity & capital)
- Strategic risks (e.g. reputation risks)

Each risk category is further broken down into specific risk types:

#### Operational & compliance risks

**Internal fraud** - Loss due to acts intended to defraud, misappropriate property or circumvent regulations, the law or company policy (excluding discrimination events) which involve at least one internal party. The company strives to minimise the likelihood of fraud manifesting in the business and allocates human and technology resources to minimise its impact on business activities. The company has no appetite for internal fraud and has adopted a continuous improvement approach to the policies and procedures designed to deter and detect internal fraud. Non-compliance results in disciplinary action, which may include dismissal and qualified withdrawals for approved persons.

**External fraud** - Loss due to acts intended to defraud, misappropriate property or circumvent the law, which involve a third party. The company has adopted a continuous improvement approach to the policies and procedures designed to deter and detect external fraud. The firm accepts that external fraud may happen from time to time. Nonetheless, the company has no appetite for external fraud.

**Regulatory risk** - regulatory risks refer to the fact that a change in laws or regulations may materially impact the business or market. The company complies with all relevant legislation and regulations in all the jurisdictions in which it operates. It monitors the regulatory framework and takes any necessary actions to its operations in order to achieve compliance. The company also employs external compliance audits to ensure best practice.

**Employment practices and workplace safety** - Losses arising from acts inconsistent with health or safety laws or agreements, from payments of personal injury claims, discrimination or harassment events. The company will take all reasonable steps to ensure its employees are treated with dignity and respect and will have adequate business processes in place to ensure that employees are provided with a safe and comfortable environment to work in.

**Business disruption** - Losses arising from disruption of business or system failures. The company has implemented a business continuity plan to monitor and mitigate any disruption.

**Execution, delivery & process management** - Losses from failed transaction processing or process management, from relations with trading counterparties, clients, vendors and/or critical outsourcers.

**Data security** - The company will take proportionate measures to protect employee, client and other third-party data, intellectual property and put in place good business practices with respect to data protection and retention standards.



# BRAC SAAJAN EXCHANGE LTD

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

---

**IT security** – The company employs robust IT security practices in the application development lifecycle, monitors and protects its perimeters and takes measures to deter and detect insider threats.

### Financial risks

**Currency risk** – The company deals in multiple currencies and may therefore be exposed to movements in exchange rates. It mitigates this risk by employing a dedicated team of foreign exchange specialists and tracking conversion rates of the trading currencies in real time. This allows the company the opportunity to minimise foreign exchange losses and make gains from the favourable shifts in exchange rates. Economic data with high, medium and low impact on exchange rates is collected from external sources at real time and their impact is closely monitored.

**Market risk** - Losses arising as a result of adverse changes in market prices. The company is an Authorised Payments Institution (API) and does not take outright market risk. Where market risks are inherent to the business activities (e.g. structural market risks such as those arising with respect to capital, liquidity and shareholder value) the company has implemented appropriate policies and procedures.

**Credit risk** - Losses arising as a result of one or more clients and/or trading counterparties failing to meet their financial obligations as they become due. Credit and counterparty risks are inherent in the business model through exposure to counterparty aged transactions and pre-settlement risks. The main credit risk faced by the company relates to agents failing to deposit monies collected on behalf of customers. The risk is managed by taking advance deposits, setting agent credit limits and performing a daily reconciliation of outstanding amounts.

**Liquidity and capital risks** - Losses arising as a result of the firm failing to meet its financial obligations as they become due. The company maintains sufficient liquidity and capital to fulfil business and regulatory requirements to meet its obligations as they become due, and has access to funding from its parent company, that will allow it to enact a contingency funding plan, if required.

### Strategic risks

**Business risk** - Losses that arise from the decisions that the Board takes about the products or services that the company supplies, or the geographies that it operates in. They include risks associated with developing and marketing those products or services, economic risks affecting product sales and costs, and risks arising from changes in the regulatory, legal and/or technology environments which have an impact on those products and services or the way in which they are delivered.

**Reputation risk** - Losses that arise as a result of damage to the brand, howsoever caused. The company actively promotes its brand in the market place, takes pro-active steps to generate feedback from clients and employees and adheres to its core values and fulfil its corporate responsibilities by ensuring it acts responsibly, ethically and with integrity.



# BRAC SAAJAN EXCHANGE LTD

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### Key Performance Indicators

|  | 2017    | 2018    | Movement<br>(Value) | Movement<br>(%) |
|--|---------|---------|---------------------|-----------------|
| Turnover                               | 4,629   | 6,918   | 2,289               | 49.45%          |
| Total remittance sent to all countries | 305,398 | 480,290 | 174,892             | 57.27%          |
| Staff Costs                            | 686     | 987     | 301                 | 43.88%          |
| Operating Costs                        | 4,468   | 6,438   | 1,970               | 44.09%          |
| PBT                                    | 316     | 658     | 342                 | 108.23%         |
| PAT                                    | 263     | 536     | 273                 | 103.80%         |

|  | 2017    | 2018    | Movement<br>(Value) | Movement<br>(%) |
|--|---------|---------|---------------------|-----------------|
| EPS  | £0.79   | £1.61   | 0.82                | 103.80%         |
| Total number of agents   | 367     | 419     | 52                  | 14.17%          |
| Total number of countries to where remittances are distributed | 5       | 5       | 0                   | 0.00%           |
| Total number of transactions                                   | 604,052 | 908,161 | 304,109             | 50.34%          |
| Total number of employees                                      | 62      | 80      | 18                  | 29.03%          |

|            |    |    |    |  |
|------------|----|----|----|--|
| Employees  |    |    |    |  |
| Italy      | 6  | 5  | -1 |  |
| Portugal   |    | 3  | 3  |  |
| Spain      | 2  | 2  | 0  |  |
| UK         | 26 | 33 | 7  |  |
| Bangladesh | 28 | 37 | 9  |  |
| Total      | 62 | 80 | 18 |  |

# BRAC SAAJAN EXCHANGE LTD

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

---

### Development and performance

Expenses increased by almost £1.2m (53%) to £3.2m. Of this increase, £0.5m was attributable to bank charges, reflecting both the increased volume and higher banking costs in the industry.

In line with business growth, during the year the company invested significantly in human resources, with the total headcount growing from 66 to 80 across the UK and overseas, at a cost of £0.3m. The management team has been expanded to include recruitment of both a Chief Operating Officer and new Head of Finance.

There has been a continued emphasis on improving compliance in the industry and the company has made additional investments in compliance, recruiting experienced officers to improve both quality and quantity, as well as expanding its internal audit function. A Risk and Audit Committee was formed in the year bringing additional independent expertise to its enterprise-wide risk and AML oversight programme. Increased compliance costs include an additional £0.2m in external compliance and risk management advice.

Further investment in EU operations in both premises and personnel have been made to support both the growth of the EU business, where significant opportunity exists to support growing migrant populations, and to combat any potential Brexit-related issues which may adversely affect the EU operation, which is run on a passporting basis from the UK.

In April 2018 the company completed its FCA reauthorisation process, as required by the EU Payment Service Directive II. It has also applied for a license to operate as a stand-alone Authorised Payment Institution in Lisbon, Portugal. Upon authorisation, it will transfer the passporting of its European businesses from the UK to Portugal.

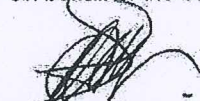
### IT Projects

**Risk matrix** – a matrix of risk conditions has been implemented to enhance the company's defence against AML risks.

**MI dashboard** – a management information reporting dashboard was bought in to enhance oversight of a full spectrum of performance, AML and risk indicators.

**Data security** – multiple data and information security policy updates were completed in the year, and the company invested in additional hardware and software solutions to improve protection against penetration and data theft.

On behalf of the board



Mr Abdus Salam

Director

27 March 2019



# **BRAC SAAJAN EXCHANGE LTD**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

---

The directors present their annual report and financial statements for the year ended 31 December 2018.

### **Principal activities**

The principal activity of the company continued to be that of money remittance.

### **Branches**

The company operates through overseas branches in Italy, Portugal and Spain.

### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr Kazi Mahmood Sattar

Mr Selim Reza Farhad Hussain

Mr Abdus Salam

### **Results and dividends**

The results for the year are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend. This is to assist with maintaining Cash Flow and re-investing into the growing business of BRAC Saajan.

### **Future developments**

The company is forecasting more than 60% YOY remittance growth in 2019. It expects strong growth in aggregator sales, and in both the UK and Italian retail agent network. The company is also forecasting an increase in payments to other countries, including Pakistan, Sri Lanka, Nepal, Poland and Romania.

Investment in compliance and governance will continue, in line with regulatory requirements and the company's planned growth.

The strategic plan for 2019 involves rolling out a revamped online service, the launch of mobile applications across the European countries and further growth in aggregator volume.

### **Auditor**

The auditor, Reddy Siddiqui LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



Mr Abdus Salam

Director

27 March 2019

# **BRAC SAAJAN EXCHANGE LTD**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



# BRAC SAAJAN EXCHANGE LTD

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF BRAC SAAJAN EXCHANGE LTD

---

#### Opinion

We have audited the financial statements of BRAC SAAJAN EXCHANGE LTD (the 'company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 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. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.



# BRAC SAAJAN EXCHANGE LTD

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF BRAC SAAJAN EXCHANGE LTD

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

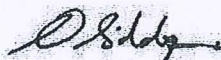
### Auditor's responsibilities for the audit of the financial statements

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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Omar Siddiqui (Senior Statutory Auditor)  
for and on behalf of Reddy Siddiqui LLP

27 March 2019

Chartered Accountants  
Statutory Auditor

183-189 The Vale  
Acton  
London  
W3 7RW



# BRAC SAAJAN EXCHANGE LTD

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

|  | Notes | 2018<br>£   | 2017<br>£   |
|--|-------|-------------|-------------|
| Turnover                               | 3     | 6,917,796   | 4,629,557   |
| Cost of sales                          |       | (2,906,039) | (2,150,668) |
| Gross profit                           |       | 4,011,757   | 2,478,889   |
| Administrative expenses                |       | (3,264,059) | (2,175,634) |
| Other operating income                 |       | 54,878      | 92,415      |
| Operating profit                       | 5     | 802,576     | 395,670     |
| Interest receivable and similar income | 8     | 1,490       | 8,898       |
| Interest payable and similar expenses  | 9     | (145,699)   | (88,613)    |
| Profit before taxation                 |       | 658,367     | 315,955     |
| Tax on profit                          | 10    | (122,705)   | (53,166)    |
| Profit for the financial year          |       | 535,662     | 262,789     |

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.


# BRAC SAAJAN EXCHANGE LTD

## BALANCE SHEET

AS AT 31 DECEMBER 2018

|  | Notes | 2018<br>£           | 2017<br>£          |
|--|-------|---------------------|--------------------|
| <b>Fixed assets</b>  |       |                     |                    |
| Intangible assets  | 12    | 158,095             | 145,543            |
| Tangible assets  | 13    | 558,600             | 554,348            |
| Investments  | 14    | 44,765              | 83,961             |
|  |       | <u>761,460</u>      | <u>783,852</u>     |
| <b>Current assets</b>  |       |                     |                    |
| Debtors  | 16    | 5,506,510           | 2,020,209          |
| Investments  | 17    | 49,966              | 49,254             |
| Cash at bank and in hand                                       |       | 6,606,932           | 2,346,818          |
|  |       | <u>12,163,408</u>   | <u>4,416,281</u>   |
| <b>Creditors: amounts falling due within one year</b>          | 18    | <u>(10,487,865)</u> | <u>(3,287,081)</u> |
| <b>Net current assets</b>                                      |       | <u>1,675,543</u>    | <u>1,129,200</u>   |
| <b>Total assets less current liabilities</b>                   |       | <u>2,437,003</u>    | <u>1,913,052</u>   |
| <b>Creditors: amounts falling due after more than one year</b> | 19    | (199,400)           | (212,715)          |
| <b>Provisions for liabilities</b>                              | 21    | (46,488)            | (44,884)           |
| <b>Net assets</b>  |       | <u>2,191,115</u>    | <u>1,655,453</u>   |
| <b>Capital and reserves</b>                                    |       |                     |                    |
| Called up share capital  | 24    | 333,333             | 333,333            |
| Share premium account  | 25    | 249,999             | 249,999            |
| Profit and loss reserves                                       | 26    | 1,607,783           | 1,072,121          |
| <b>Total equity</b>  |       | <u>2,191,115</u>    | <u>1,655,453</u>   |

The financial statements were approved by the board of directors and authorised for issue on 27 March 2019 and are signed on its behalf by:

  
Mr. Abdus Salam  
Director

Company Registration No. 06469886



# BRAC SAAJAN EXCHANGE LTD

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

|  | Notes | Share capital<br>£ | Share premium<br>account<br>£ | Profit and loss<br>reserves<br>£ | Total<br>£ |
|--|-------|--------------------|-------------------------------|----------------------------------|------------|
| Balance at 1 January 2017                          |       | 333,333            | 208,383                       | 876,124                          | 1,417,840  |
| Year ended 31 December 2017:                       |       |                    |                               |                                  |            |
| Profit and total comprehensive income for the year |       | -                  | -                             | 262,789                          | 262,789    |
| Issue of share capital                             | 24    | -                  | 41,616                        | -                                | 41,616     |
| Dividends  | 11    | -                  | -                             | (66,792)                         | (66,792)   |
| Balance at 31 December 2017                        |       | 333,333            | 249,999                       | 1,072,121                        | 1,655,453  |
| Year ended 31 December 2018:                       |       |                    |                               |                                  |            |
| Profit and total comprehensive income for the year |       | -                  | -                             | 535,662                          | 535,662    |
| Balance at 31 December 2018                        |       | 333,333            | 249,999                       | 1,607,783                        | 2,191,115  |

# BRAC SAAJAN EXCHANGE LTD

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

|   | Notes | 2018<br>£        | £ | 2017<br>£        | £ |
|---|-------|------------------|---|------------------|---|
| <b>Cash flows from operating activities</b>                   |       |                  |   |                  |   |
| Cash generated from operations                                | 32    | 4,525,610        |   | 844,121          |   |
| Interest paid   |       | (145,699)        |   | (88,613)         |   |
| Income taxes paid   |       | (45,858)         |   | (34,597)         |   |
| <b>Net cash inflow from operating activities</b>              |       | <b>4,334,053</b> |   | <b>720,911</b>   |   |
| <b>Investing activities</b>                                   |       |                  |   |                  |   |
| Purchase of intangible assets                                 |       | (48,562)         |   | (38,663)         |   |
| Purchase of tangible fixed assets                             |       | (45,784)         |   | (373,144)        |   |
| Proceeds on disposal of subsidiaries                          |       | 39,196           |   | 31,374           |   |
| Proceeds from other investments and loans                     |       | (712)            |   | (1,713)          |   |
| Interest received   |       | 1,490            |   | 8,898            |   |
| <b>Net cash used in investing activities</b>                  |       | <b>(54,372)</b>  |   | <b>(373,248)</b> |   |
| <b>Financing activities</b>                                   |       |                  |   |                  |   |
| Proceeds from issue of shares                                 |       | -                |   | 41,616           |   |
| Repayment of borrowings                                       |       | (13,315)         |   | 212,715          |   |
| Dividends paid  |       | -                |   | (66,792)         |   |
| <b>Net cash (used in)/generated from financing activities</b> |       | <b>(13,315)</b>  |   | <b>187,539</b>   |   |
| <b>Net increase in cash and cash equivalents</b>              |       | <b>4,266,366</b> |   | <b>535,202</b>   |   |
| Cash and cash equivalents at beginning of year                |       | 2,337,399        |   | 1,802,197        |   |
| <b>Cash and cash equivalents at end of year</b>               |       | <b>6,603,765</b> |   | <b>2,337,399</b> |   |
| <b>Relating to:</b>   |       |                  |   |                  |   |
| Cash at bank and in hand                                      |       | 6,606,932        |   | 2,346,818        |   |
| Bank overdrafts included in creditors payable within one year |       | (3,167)          |   | (9,419)          |   |



# BRAC SAAJAN EXCHANGE LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

---

### 1 Accounting policies

#### Company information

BRAC SAAJAN EXCHANGE LTD is a private company limited by shares incorporated in England and Wales. The registered office is 160-162 Lozells Road, Lozells, Birmingham, B19 2SX.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Group accounts are prepared by parent company, BRAC Bank Limited. The consolidated group accounts are available at 1 Gulshan Avenue, Gulshan-I, Dhaka 1212, Bangladesh.

#### 1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable in the form of consumers' money transfer transaction fees. The transaction fees are based on the principal amount of the money transfer transaction and the locations from and to which funds are transferred. Transaction fees are set by the Company and recorded as revenue at the time of sale. The Company does not charge VAT on transactions owing to money transfer services being an exempt supply.

The Company also generates revenue based on the difference between the exchange rate set by the Company to the customer and the rate at which the Company or its agents are able to acquire the currency. This foreign exchange revenue is recognised at the same time at which the related money transfer transaction fee revenue is recognised.

#### 1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.



# BRAC SAAJAN EXCHANGE LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 1 Accounting policies

(Continued)

#### 1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

|                   |  |
|-------------------|--|
| Development costs | Straight line over useful life of five years |
|-------------------|--|

#### 1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

|                              |   |
|------------------------------|---|
| Leasehold land and buildings | Straight line over ten to twelve years        |
| Fixtures and fittings        | Reducing balance at 10%                       |
| Computers                    | Straight line over useful life of three years |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 1.7 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

#### 1.8 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.



# BRAC SAAJAN EXCHANGE LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.9 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.



# BRAC SAAJAN EXCHANGE LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 1 Accounting policies

(Continued)

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.



# BRAC SAAJAN EXCHANGE LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 1 Accounting policies

(Continued)

#### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

#### **1.11 Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### **1.12 Derivatives**

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

#### **1.13 Taxation**

The tax expense represents the sum of the tax currently payable.

##### ***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### ***Deferred tax***

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.14 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.



# BRAC SAAJAN EXCHANGE LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 1 Accounting policies

(Continued)

#### 1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### 1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

#### 1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

### 3 Turnover and other revenue

An analysis of the company's turnover is as follows:

|   | 2018             | 2017             |
|---|------------------|------------------|
|   | £                | £                |
| <b>Turnover analysed by class of business</b> |                  |                  |
| Commission Income                             | 5,874,197        | 4,119,917        |
| Foreign exchange Income                       | 1,043,599        | 509,640          |
|   | <u>6,917,796</u> | <u>4,629,557</u> |
|   |                  |                  |
|   | 2018             | 2017             |
|   | £                | £                |
| <b>Other significant revenue</b>              |                  |                  |
| Interest income                               | 1,490            | 8,898            |
| Commissions received                          | 1,368            | 2,500            |
|   | <u></u>          | <u></u>          |



# BRAC SAAJAN EXCHANGE LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 3. Turnover and other revenue

(Continued)

|  | 2018<br>£          | 2017<br>£          |
|--|--------------------|--------------------|
| Turnover analysed by geographical market |                    |                    |
| United Kingdom                           | 6,180,637          | 4,052,142          |
| Europe                                   | 737,159            | 577,415            |
|  | <u>6,917,796</u>   | <u>4,629,557</u>   |
| Remittance Volume                        | 2018<br>£          | 2017<br>£          |
| UK                                       | 400,904,928        | 239,022,863        |
| Italy                                    | 39,248,721         | 35,167,055         |
| Spain                                    | 20,922,239         | 16,736,900         |
| France                                   | 11,320,963         | 11,433,998         |
| Portugal                                 | 7,893,078          | 3,037,774          |
|  | <u>480,289,929</u> | <u>305,398,590</u> |

### 4. Other operating income

|                      | 2018<br>£     | 2017<br>£     |
|----------------------|---------------|---------------|
| Agents fees received | 53,510        | 89,915        |
| ATM rent             | 1,368         | 2,500         |
|                      | <u>54,878</u> | <u>92,415</u> |

# BRAC SAAJAN EXCHANGE LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 5 Operating profit

|  | 2018      | 2017      |
|--|-----------|-----------|
|  | £         | £         |
| Operating profit for the year is stated after charging/(crediting):                        |           |           |
| Exchange losses/(gains)  | (89,923)  | 26,272    |
| Overseas costs   | 530,155   | 399,010   |
| Fees payable to the company's auditors for the audit of the company's financial statements | 22,722    | 15,660    |
| Depreciation of owned tangible fixed assets  | 30,854    | 35,077    |
| Amortisation of intangible assets  | 36,010    | 27,443    |
| Cost of sales recognised as an expense   | 2,906,039 | 2,150,668 |
| Operating lease charges  | 61,110    | 67,467    |

### 6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

|                | 2018   | 2017   |
|----------------|--------|--------|
|                | Number | Number |
| Administration | 80     | 62     |

Their aggregate remuneration comprised:

|                       | 2018    | 2017    |
|-----------------------|---------|---------|
|                       | £       | £       |
| Wages and salaries    | 884,608 | 612,560 |
| Social security costs | 77,390  | 52,410  |
| Pension costs         | 6,181   | 2,349   |
|                       | 968,179 | 667,319 |

### 7 Directors' remuneration

|                                      | 2018    | 2017    |
|--------------------------------------|---------|---------|
|                                      | £       | £       |
| Remuneration for qualifying services | 138,850 | 106,090 |



# BRAC SAAJAN EXCHANGE LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 8 Interest receivable and similar income

|                           | 2018         | 2017         |
|---------------------------|--------------|--------------|
|                           | £            | £            |
| <b>Interest income</b>    |              |              |
| Interest on bank deposits | 1,490        | 1,011        |
| Other interest income     | -            | 7,887        |
| <b>Total income</b>       | <u>1,490</u> | <u>8,898</u> |

Investment income includes the following:

|  |              |              |
|--|--------------|--------------|
| Interest on financial assets not measured at fair value through profit or loss | <u>1,490</u> | <u>1,011</u> |
|--|--------------|--------------|

### 9 Interest payable and similar expenses

|  | 2018           | 2017          |
|--|----------------|---------------|
|  | £              | £             |
| <b>Interest on financial liabilities measured at amortised cost:</b> |                |               |
| Interest on bank overdrafts and loans                                | 6,477          | 2,847         |
| Other interest on financial liabilities                              | 139,222        | 85,766        |
|  | <u>145,699</u> | <u>88,613</u> |

### 10 Taxation

|  | 2018           | 2017          |
|--|----------------|---------------|
|  | £              | £             |
| <b>Current tax</b>                                   |                |               |
| UK corporation tax on profits for the current period | <u>121,101</u> | <u>45,858</u> |
| <b>Deferred tax</b>                                  |                |               |
| Origination and reversal of timing differences       | <u>1,604</u>   | <u>7,308</u>  |
| <b>Total tax charge</b>                              | <u>122,705</u> | <u>53,166</u> |

# BRAC SAAJAN EXCHANGE LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

|  | 2018<br>£ | 2017<br>£ |
|--|-----------|-----------|
| Profit before taxation   | 658,367   | 315,955   |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%) | 125,090   | 60,821    |
| Tax effect of expenses that are not deductible in determining taxable profit                         | 6,842     | 5,960     |
| Permanent capital allowances in excess of depreciation   | (18,722)  | (26,995)  |
| Depreciation on assets not qualifying for tax allowances   | 7,891     | 6,072     |
| Other non-reversing timing differences   | 1,604     | 7,308     |
| Taxation charge for the year   | 122,705   | 53,166    |

### 11 Dividends

|              | 2018<br>£ | 2017<br>£ |
|--------------|-----------|-----------|
| Interim paid | -         | 66,792    |

### 12 Intangible fixed assets

|                                    | Development costs<br>£ |
|------------------------------------|------------------------|
| <b>Cost</b>                        |                        |
| At 1 January 2018                  | 201,810                |
| Additions - separately acquired    | 48,562                 |
| At 31 December 2018                | 250,372                |
| <b>Amortisation and impairment</b> |                        |
| At 1 January 2018                  | 56,267                 |
| Amortisation charged for the year  | 36,010                 |
| At 31 December 2018                | 92,277                 |
| <b>Carrying amount</b>             |                        |
| At 31 December 2018                | 158,095                |
| At 31 December 2017                | 145,543                |



# BRAC SAAJAN EXCHANGE LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 13 Tangible fixed assets

|                                    | Leasehold<br>land and<br>buildings | Fixtures and<br>fittings | Computers | Total   |
|------------------------------------|------------------------------------|--------------------------|-----------|---------|
|                                    | £                                  | £                        | £         | £       |
| <b>Cost</b>                        |                                    |                          |           |         |
| At 1 January 2018                  | 286,683                            | 352,687                  | 67,754    | 707,124 |
| Additions                          | -                                  | 27,598                   | 18,186    | 45,784  |
| At 31 December 2018                | 286,683                            | 380,285                  | 85,940    | 752,908 |
| <b>Depreciation and impairment</b> |                                    |                          |           |         |
| At 1 January 2018                  | 3,937                              | 90,356                   | 58,482    | 152,775 |
| Depreciation charged in the year   | 8,226                              | 25,750                   | 7,557     | 41,533  |
| At 31 December 2018                | 12,163                             | 116,106                  | 66,039    | 194,308 |
| <b>Carrying amount</b>             |                                    |                          |           |         |
| At 31 December 2018                | 274,520                            | 264,179                  | 19,901    | 558,600 |
| At 31 December 2017                | 282,745                            | 262,331                  | 9,272     | 554,348 |

### 14 Fixed asset investments

|                             | Notes | 2018<br>£ | 2017<br>£ |
|-----------------------------|-------|-----------|-----------|
| Investments in subsidiaries | 29    | 44,765    | 44,373    |
| Loans to subsidiaries       | 29    | -         | 39,588    |
|                             |       | 44,765    | 83,961    |

#### Movements in fixed asset investments

|                             | Shares in<br>group<br>undertakings | Loans to<br>group<br>undertakings | Total    |
|-----------------------------|------------------------------------|-----------------------------------|----------|
|                             | £                                  | £                                 | £        |
| <b>Cost or valuation</b>    |                                    |                                   |          |
| At 1 January 2018           | 44,373                             | 39,588                            | 83,961   |
| Foreign exchange difference | 392                                | -                                 | 392      |
| Repayment                   | -                                  | (39,588)                          | (39,588) |
| At 31 December 2018         | 44,765                             | -                                 | 44,765   |
| <b>Carrying amount</b>      |                                    |                                   |          |
| At 31 December 2018         | 44,765                             | -                                 | 44,765   |
| At 31 December 2017         | 44,373                             | 39,588                            | 83,961   |

# BRAC SAAJAN EXCHANGE LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 15 Financial instruments

|   | 2018<br>£  | 2017<br>£ |
|---|------------|-----------|
| <b>Carrying amount of financial assets</b>                |            |           |
| Debt instruments measured at amortised cost               | 5,399,765  | 1,958,609 |
| Instruments measured at fair value through profit or loss | 49,966     | 49,254    |
| <b>Carrying amount of financial liabilities</b>           |            |           |
| Measured at amortised cost                                | 10,516,746 | 3,428,393 |

### 16 Debtors

|   | 2018<br>£ | 2017<br>£ |
|---|-----------|-----------|
| <b>Amounts falling due within one year:</b> |           |           |
| Trade debtors                               | 5,168,737 | 1,894,117 |
| Other debtors                               | 208,092   | -         |
| Prepayments and accrued income              | 129,681   | 126,092   |
|   | 5,506,510 | 2,020,209 |

Debtors include £332,961 due from BRAC Saajan France as at the year-end, a 100% subsidiary of the company.

### 17 Current asset investments

|                      | 2018<br>£ | 2017<br>£ |
|----------------------|-----------|-----------|
| Unlisted investments | 49,966    | 49,254    |

The company has invested in BBVA Mutual Fund in Spain. The value of the investment was EUR 55,810 as at 31st December 2018.

### 18 Creditors: amounts falling due within one year

|                                    | Notes | 2018<br>£  | 2017<br>£ |
|------------------------------------|-------|------------|-----------|
| Bank loans and overdrafts          | 20    | 3,167      | 9,419     |
| Trade creditors                    |       | 4,300,308  | 777,052   |
| Amounts owed to group undertakings |       | 4,779,216  | 1,761,473 |
| Corporation tax                    |       | 121,070    | 45,827    |
| Other taxation and social security |       | 49,449     | 25,576    |
| Other creditors                    |       | 935,259    | 570,838   |
| Accruals and deferred income       |       | 299,396    | 96,896    |
|                                    |       | 10,487,865 | 3,287,081 |



# BRAC SAAJAN EXCHANGE LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 19 Creditors: amounts falling due after more than one year

|                  | Notes | 2018<br>£ | 2017<br>£ |
|------------------|-------|-----------|-----------|
| Other borrowings | 20    | 199,400   | 212,715   |

### 20 Loans and overdrafts

|                         | 2018<br>£      | 2017<br>£      |
|-------------------------|----------------|----------------|
| Bank overdrafts         | 3,167          | 9,419          |
| Other loans             | 199,400        | 212,715        |
|                         | <u>202,567</u> | <u>222,134</u> |
| Payable within one year | 3,167          | 9,419          |
| Payable after one year  | 199,400        | 212,715        |

### 21 Provisions for liabilities

|                          | Notes | 2018<br>£ | 2017<br>£ |
|--------------------------|-------|-----------|-----------|
| Deferred tax liabilities | 22    | 46,488    | 44,884    |

### 22 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

|                               | Liabilities<br>2018<br>£ | Liabilities<br>2017<br>£ |
|-------------------------------|--------------------------|--------------------------|
| <b>Balances:</b>              |                          |                          |
| ACAs                          | <u>46,488</u>            | <u>44,884</u>            |
| <b>Movements in the year:</b> |                          | <b>2018<br/>£</b>        |
| Liability at 1 January 2018   |                          | 44,884                   |
| Charge to profit or loss      |                          | <u>1,604</u>             |
| Liability at 31 December 2018 |                          | <u>46,488</u>            |

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

# BRAC SAAJAN EXCHANGE LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 23 Retirement benefit schemes

|   | 2018  | 2017  |
|---|-------|-------|
|   | £     | £     |
| Defined contribution schemes  |       |       |
| Charge to profit or loss in respect of defined contribution schemes | 6,181 | 2,349 |

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

### 24 Share capital

|   | 2018    | 2017    |
|---|---------|---------|
|   | £       | £       |
| Ordinary share capital<br>Issued and fully paid<br>333,333 Ordinary shares of £1 each | 333,333 | 333,333 |
|   | 333,333 | 333,333 |

### 25 Share premium account

|                        | 2018    | 2017    |
|------------------------|---------|---------|
|                        | £       | £       |
| At beginning of year   | 249,999 | 208,383 |
| Share premium received | -       | 41,616  |
| At end of year         | 249,999 | 249,999 |

### 26 Profit and loss reserves

|   | 2018      | 2017      |
|---|-----------|-----------|
|   | £         | £         |
| At the beginning of the year            | 1,072,121 | 876,124   |
| Profit for the year                     | 535,662   | 262,789   |
| Dividends declared and paid in the year | -         | (66,792)  |
| At the end of the year                  | 1,607,783 | 1,072,121 |



# BRAC SAAJAN EXCHANGE LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 27 Operating lease commitments

#### Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

|                            | 2018<br>£      | 2017<br>£      |
|----------------------------|----------------|----------------|
| Within one year            | 73,100         | 73,100         |
| Between two and five years | 155,567        | 185,567        |
| In over five years         | 110,025        | 145,125        |
|                            | <u>338,692</u> | <u>403,792</u> |

### 28 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel is as follows.

|                        | 2018<br>£      | 2017<br>£      |
|------------------------|----------------|----------------|
| Aggregate compensation | <u>138,850</u> | <u>106,090</u> |

#### Transactions with related parties

The following amounts were outstanding at the reporting end date:

|  | 2018<br>£        | 2017<br>£        |
|--|------------------|------------------|
| Amounts owed to related parties  |                  |                  |
| Entities with control, joint control or significant influence over the company | <u>4,779,216</u> | <u>1,761,473</u> |
|  | <u>4,779,216</u> | <u>1,761,473</u> |

BRAC Bank Limited, Bangladesh has control over the company by virtue of it's controlling shareholding in the company.

# BRAC SAAJAN EXCHANGE LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 28 Related party transactions

(Continued)

The following amounts were outstanding at the reporting end date:

|  | 2018<br>Balance<br>£ |
|--|----------------------|
| Amounts owed by related parties  |                      |
| Entities over which the entity has control, joint control or significant influence | 332,961              |
| Key management personnel   | 26,696               |
|  | <u>359,657</u>       |

|  | 2017<br>Balance<br>£ |
|--|----------------------|
| Amounts owed in previous period  |                      |
| Entities over which the entity has control, joint control or significant influence | 550,171              |
| Key management personnel   | 36,083               |
|  | <u>586,254</u>       |

The company has control over BRAC Saajan France by virtue of it's controlling shareholding in that company.



## BRAC SAAJAN EXCHANGE LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 28 Related party transactions

(Continued)

The company has given guarantee to meet the debts and commitments of BRAC Sajaan France, a 100% subsidiary of the company, as they fall due.

Bank guarantees given by the parent company, BRAC Bank Limited, for the company during the year are outlined below:

| Beneficiary                    | Issue date        | Value    | Maturity          |
|--------------------------------|-------------------|----------|-------------------|
| United Commercial Bank Limited | 05 September 2013 | \$10,000 | 04 September 2019 |
| Dhaka Bank                     | 27 March 2013     | \$10,000 | 26 March 2019     |
| AB Bank Limited                | 27 March 2013     | \$10,000 | 26 March 2019     |
| Islami Bank Bangladesh Ltd.    | 16 June 2013      | \$10,000 | 15 June 2019      |
| Uttara Bank Ltd.               | 10 December 2013  | \$10,000 | 09 December 2019  |
| Janata Bank Ltd.               | 23 April 2014     | \$10,000 | 22 April 2019     |
| Rupali Bank Ltd.               | 07 June 2015      | \$10,000 | 06 June 2019      |
| Southeast Bank Ltd.            | 07 June 2015      | \$10,000 | 06 June 2019      |
| Midland Bank Ltd.              | 07 June 2015      | \$10,000 | 06 June 2019      |
| Standard Bank Ltd.             | 29 August 2016    | \$10,000 | 28 August 2019    |
| Meghna Bank Ltd.               | 17 November 2016  | \$10,000 | 16 November 2019  |
| First Security Islami Bank     | 18 December 2016  | \$10,000 | 17 December 2019  |
| National Bank Limited          | 12 July 2017      | \$10,000 | 11 July 2019      |
| Mutual Trust Bank Limited      | 12 July 2017      | \$10,000 | 11 July 2019      |
| Al Arafah Islami Bank Limited  | 02 October 2017   | \$10,000 | 01 October 2019   |
| NCC Bank Limited               | 02 October 2017   | \$10,000 | 01 October 2019   |
| The City Bank Limited          | 02 October 2017   | \$10,000 | 01 October 2019   |
| Pubali Bank Limited            | 02 October 2017   | \$10,000 | 01 October 2019   |
| Mercantile Bank Limited        | 01 January 2018   | \$10,000 | 31 December 2019  |
| Exim Bank Limited              | 01 January 2018   | \$10,000 | 31 December 2019  |
| Agrani Bank Ltd                | 25 January 2018   | \$10,000 | 24 January 2020   |
| Sonali Bank Ltd                | 25 January 2018   | \$10,000 | 24 January 2020   |
| Bangladesh Krishi Bank Ltd     | 01 January 2019   | \$10,000 | 31 December 2019  |
| Jamuna Bank Ltd                | 01 January 2019   | \$10,000 | 31 December 2019  |

# BRAC SAAJAN EXCHANGE LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 29 Subsidiaries

These financial statements are separate company financial statements for Brac Saajan France.

BRAC Saajan France is the only subsidiary of the company.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Group accounts are prepared by parent company, BRAC Bank Limited. The consolidated group accounts are available at 1 Gulshan Avenue, Gulshan-I, Dhaka 1212, Bangladesh.

Details of the company's subsidiaries at 31 December 2018 are as follows:

| Name of undertaking and country of incorporation or residency | Nature of business | Class of shareholding | % Held   |          |
|---|--------------------|-----------------------|----------|----------|
|   |                    |                       | Direct   | Indirect |
| BRAC Saajan France  | France             | Money remittance      | Ordinary | 100.00   |

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

| Name of undertaking | Profit/(Loss) | Capital and Reserves |
|---------------------|---------------|----------------------|
|                     | EUR           | EUR                  |
| BRAC Saajan France  | (60,510)      | 490,574              |

### 30 Controlling party

The ultimate controlling party is BRAC Bank Limited, Bangladesh that owns 75% of the issued share capital of the company.



# BRAC SAAJAN EXCHANGE LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 31 Liquid resources

|                                 | 0-1 months        | 1-3 months       | 3-12 months      | 1-5 years     | Over 5 years     | Total             |
|---------------------------------|-------------------|------------------|------------------|---------------|------------------|-------------------|
|                                 | £                 | £                | £                | £             | £                | £                 |
| <b>Assets</b>                   |                   |                  |                  |               |                  |                   |
| Cash held on account            | 17,944            |                  |                  |               |                  | 17,944            |
| Trade debtors                   |                   |                  |                  |               |                  | -                 |
| Cash at bank and in hand        | 6,606,932         |                  |                  |               |                  | 6,606,932         |
| Trade receivables               | 5,358,889         |                  |                  |               |                  | 5,358,889         |
| Prepayments & accrued income    | 129,681           |                  |                  |               |                  | 129,681           |
| Investments                     | 49,966            |                  |                  |               |                  | 49,966            |
| Director's loan                 |                   |                  |                  | 26,696        |                  | 26,696            |
| <b>Total Assets</b>             | <b>12,163,412</b> | <b>-</b>         | <b>-</b>         | <b>26,696</b> | <b>-</b>         | <b>12,190,108</b> |
| <b>Liabilities</b>              |                   |                  |                  |               |                  |                   |
| Bank credit card                | 3,167             |                  |                  |               |                  | 3,167             |
| Trade creditors                 | 4,300,308         |                  |                  |               |                  | 4,300,308         |
| Agent payables                  | 638,873           |                  |                  |               |                  | 638,873           |
| Corporation tax payable         |                   |                  | 121,070          |               |                  | 121,070           |
| Agency deposit held             |                   |                  | 191,396          |               |                  | 191,396           |
| Social security taxes           |                   | 27,996           | 21,453           |               |                  | 49,449            |
| Wages and salaries              |                   | 131,686          |                  |               |                  | 131,686           |
| Accruals                        | 299,397           |                  |                  |               |                  | 299,397           |
| Amounts owed to parent company  | 4,779,216         |                  |                  |               |                  | 4,779,216         |
| Bank loan                       |                   |                  |                  |               | 199,400          | 199,400           |
| <b>Total Liabilities</b>        | <b>10,020,961</b> | <b>159,683</b>   | <b>333,919</b>   | <b>-</b>      | <b>199,400</b>   | <b>10,713,962</b> |
| <b>Net liquidity difference</b> | <b>2,142,451</b>  | <b>(159,683)</b> | <b>(333,919)</b> | <b>26,696</b> | <b>(199,400)</b> | <b>1,476,146</b>  |
|                                 | =====             | =====            | =====            | =====         | =====            | =====             |

# BRAC SAAJAN EXCHANGE LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 32 Cash generated from operations

|  | 2018<br>£        | 2017<br>£      |
|--|------------------|----------------|
| Profit for the year after tax                        | 535,662          | 262,789        |
| <b>Adjustments for:</b>                              |                  |                |
| Taxation charged                                     | 122,705          | 53,166         |
| Finance costs  | 145,699          | 88,613         |
| Investment income                                    | (1,490)          | (8,898)        |
| Amortisation and impairment of intangible assets     | 36,010           | 27,443         |
| Depreciation and impairment of tangible fixed assets | 41,533           | 35,077         |
| <b>Movements in working capital:</b>                 |                  |                |
| (Increase) in debtors                                | (3,486,303)      | (31,237)       |
| Increase in creditors                                | 7,131,794        | 417,168        |
| <b>Cash generated from operations</b>                | <b>4,525,610</b> | <b>844,120</b> |



**BRAC SAAJAN EXCHANGE LTD**  
**MANAGEMENT INFORMATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

# BRAC SAAJAN EXCHANGE LTD

## DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2018

|  |           | 2018               |           | 2017               |
|--|-----------|--------------------|-----------|--------------------|
|  | £         | £                  | £         | £                  |
| <b>Turnover</b>                                  |           |                    |           |                    |
| Commission Receivable                            |           | 5,874,197          |           | 4,119,917          |
| Exchange Income                                  |           | 1,043,599          |           | 509,640            |
|  |           | <u>6,917,796</u>   |           | <u>4,629,557</u>   |
| <b>Cost of sales</b>                             |           |                    |           |                    |
| Commissions                                      | 2,906,039 |                    | 2,150,668 |                    |
|  |           | <u>(2,906,039)</u> |           | <u>(2,150,668)</u> |
| <b>Gross profit</b>                              | 57.99%    | 4,011,757          | 53.54%    | 2,478,889          |
| <b>Other operating income</b>                    |           |                    |           |                    |
| ATM rent   | 1,368     |                    | 2,500     |                    |
| Agent fee received                               | 53,510    |                    | 89,915    |                    |
|  |           | <u>54,878</u>      |           | <u>92,415</u>      |
| <b>Administrative expenses</b>                   |           | <u>(3,264,059)</u> |           | <u>(2,175,634)</u> |
| <b>Operating profit</b>                          |           | 802,576            |           | 395,670            |
| <b>Investment revenues</b>                       |           |                    |           |                    |
| Bank interest received                           | 1,490     |                    | 1,011     |                    |
| Other interest received on financial instruments | -         |                    | 7,887     |                    |
|  |           | <u>1,490</u>       |           | <u>8,898</u>       |
| <b>Interest payable and similar expenses</b>     |           |                    |           |                    |
| Bank interest on loans and overdrafts            | 6,477     |                    | 2,847     |                    |
| Non bank interest on loans                       | 139,222   |                    | 85,766    |                    |
|  |           | <u>(145,699)</u>   |           | <u>(88,613)</u>    |
| <b>Profit before taxation</b>                    | 9.52%     | <u>658,367</u>     | 6.82%     | <u>315,955</u>     |



# BRAC SAAJAN EXCHANGE LTD

## SCHEDULE OF ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2018

|  | 2018<br>£        | 2017<br>£        |
|--|------------------|------------------|
| <b>Administrative expenses</b>           |                  |                  |
| Wages and salaries                       | 745,758          | 506,470          |
| Social security costs                    | 77,390           | 52,410           |
| Staff welfare                            | 1,108            | 917              |
| Staff training                           | 7,499            | -                |
| Staff pension costs defined contribution | 6,181            | 2,349            |
| Directors' remuneration                  | 138,850          | 106,090          |
| Rent re operating leases                 | 58,820           | 64,996           |
| Domain Hosting                           | 41,003           | 16,698           |
| Rates                                    | 10,486           | 9,966            |
| Cleaning                                 | 3,554            | 3,198            |
| Power, light and heat                    | 3,820            | 6,581            |
| Repairs and maintenance                  | 13,315           | 9,032            |
| Insurance                                | 47,224           | 2,236            |
| Software costs                           | 18,409           | 14,793           |
| Hire of equipment (not operating lease)  | 8,904            | 8,078            |
| Leasing - motor vehicles                 | 2,290            | 2,471            |
| Motor running expenses                   | 84               | 2,385            |
| Travelling expenses                      | 85,354           | 74,907           |
| Postage, courier and delivery charges    | 6,239            | 3,758            |
| Professional subscriptions               | 107,476          | 43,213           |
| Legal and professional fees              | 147,349          | 10,085           |
| Consultancy fees                         | 82,403           | 91,500           |
| Accountancy                              | 1,090            | 1,457            |
| Audit fees                               | 22,722           | 15,660           |
| Bank charges                             | 1,003,057        | 503,684          |
| Bad and doubtful debts                   | 22,591           | 52,267           |
| Advertising                              | 62,373           | 35,166           |
| Telecommunications                       | 11,013           | 44,971           |
| Overseas costs                           | 530,155          | 399,010          |
| Sundry expenses                          | 9,922            | 2,494            |
| Amortisation                             | 36,010           | 30,964           |
| Depreciation                             | 41,533           | 31,556           |
| Profit or loss on foreign exchange       | (89,923)         | 26,272           |
|  | <u>3,264,059</u> | <u>2,175,634</u> |