

ANNUAL REPORT | 2013

 **BRAC BANK**

আজ্ঞা অবিচল

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Letter of Transmittal

To
All Shareholders
Bangladesh Bank
Securities and Exchange Commission
Registrar of Joint Stock Companies & Firms
Dhaka Stock Exchange Limited
Chittagong Stock Exchange Limited

Dear Sir(s),

Annual Report for the year ended December 31, 2013

We are pleased to enclose a copy of the Annual Report, together with the Audited Financial Statements of BRAC Bank Limited as on December 31, 2013 for your kind information and record.

Yours sincerely,



Rais Uddin Ahmad
Company Secretary

Forward-looking statement

Our public interactions frequently include spoken or written forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Securities and Exchange Commission, or in other communications. Forward-looking statements may include comments with respect to the Bank's objectives, strategies to achieve those objectives, expected financial results (including those in the area of risk management), and the outlook for the Bank's businesses. Such statements are typically identified by words or phrases such as "believe," "expect," "anticipate," "intent," "estimate," "plan," "may increase," "may fluctuate," and similar expressions of future or conditional verbs, such as "will," "should," "would" and "could."

Forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward-looking statements will not prove to be accurate. Do not unduly rely on forward-looking statements, as a number of important factors, many of which are beyond our control, could cause actual results to differ materially from the estimates and intentions expressed in such forward-looking statements.

These factors include, but are not limited to: volatility of Interest rate, instability of capital market, changes of CRR and SLR of the Banks, changes of Lending rate, changes of corporate tax, change in national political and economic conditions, changing government policy issues; changes in the demand for BRAC Bank Limited's products; ups and downs in international prices of essential which influence the foreign exchange market, changes in economic conditions generally or technology spending in particular; changes in the competitive markets of the country, changes in global capital markets activity, judicial and regulatory proceedings, the Bank's ability to attract and retain key executives, risk management of lending portfolio often requires stresses which are based on sophisticated mathematical tools and cannot solely be dependent on existing MIS.

Notice of the Fifteenth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting (AGM) of BRAC Bank Limited will be held on April 10, 2014 at 10:00 a.m. at BRAC Centre for Development Management (B-CDM), Khagan, Savar to transact the following business:

AGENDA

- AGM-15-01-2014: To receive, consider and adopt the audited financial statements for the year ended December 31, 2013 and the Auditors' and Directors' Report;
AGM-15-02-2014: To declare dividend for the year ended December 31, 2013;
AGM-15-03-2014: To elect /re-elect Directors;
AGM-15-04-2014: To appoint auditors of the Company for the year 2014 and to fix their Remuneration;

All the shareholders of the Company are requested to make it convenient to attend the meeting.

By the order of the Board

Rais Uddin Ahmad
Company Secretary

March 10, 2014

NOTES:

- The "Record Date" is March 11, 2014.
- The shareholders whose name would appear in the Register of Members of the company on the record Date shall be entitled for the dividend.
- A member eligible to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on his/her behalf. Proxy form must be affixed with the revenue stamp of Taka 20.00 and submitted to the Registered Office of the company not later than 72 hours before the time fixed for the Annual General Meeting.
- Shareholders and Proxies are requested to record their entry at the AGM well in time. No entry will be recorded after 10:00 a.m.

বি. দ্র: বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন এর সার্কুলার নং- এসইসি/সিএমআরআরসিডি/২০০৯-১৯৩/১৫৪ এবং তারিখ ২৪ অক্টোবর, ২০১৩ অনুযায়ী আসন্ন বার্ষিক সাধারণ সভায় কোন প্রকার উপহার/থাবার প্রদানের ব্যবস্থা থাকবে না।

Corporate Vision

Building a profitable and socially responsible financial institution focused on Market and Business with growth potential, thereby assisting BRAC and stakeholders build a “just, enlightened, healthy, democratic and poverty free Bangladesh”.

Corporate Mission

- Sustained growth in ‘Small & Medium Enterprise’ sector
- Continuous low-cost deposit growth with controlled growth in retail assets
- Corporate Assets to be funded through self-liability mobilization. Growth in assets through syndications and investment in faster growing sectors
- Continuous endeavor to increase non-funded income
- Keep our Debt charges at 2% to maintain a steady profitable growth
- Achieve efficient synergies between the bank’s branches, SME unit offices and BRAC field offices for delivery of Remittance and Bank’s other products and services
- Manage various lines of business in a fully controlled environment with no compromise on service quality
- Keep a diverse, far flung team fully motivated and driven towards materializing the bank’s vision into reality

Core Values

- Value the fact that we are a member of the BRAC family
- Creating an honest, open and enabling environment
- Have a strong customer focus and build relationships based on integrity, superior service and mutual benefit
- Strive for profit & sound growth
- Work as a team to serve the best interest of our owners
- Relentless in pursuit of business innovation and improvement
- Value and respect people and make decisions based on merit
- Base recognition and reward on performance
- To be responsible, trustworthy and law-abiding in all that we do



Chairman's Message

Dear fellow shareholders,

On behalf of the board of directors, it is a moment of great pride for me to be able to be here with the BRAC Bank family once again and present to you the results and achievements of 2013 in this 15th Annual General Meeting of your bank.

2013 has perhaps been testing but I consider 2013 a year of great achievements for your bank. It isn't just in terms of performance, but the various milestones that your bank has crossed. Despite the challenging market conditions, your bank has performed strongly towards financial, social and environmental goals. It has fared remarkably well and has made some marvelous achievements that it can boast of this year.

BRAC Bank was awarded 'The Best Managed Bank Award 2013' at the Asian Banker Summit 2013 at the Ritz Carlton Jakarta. Following that, your bank was recognized as the 'Best Bank in Bangladesh' by Finance Asia. Later in the year, BRAC Bank won two prestigious awards from the globally acclaimed magazine World Finance.

This London-based financial magazine conferred BRAC Bank with 'Best Sustainable Bank' and 'Best Commercial Bank' awards as part of World Finance Banking Awards 2013. BRAC Bank stands with global financial giants like Merrill Lynch, Goldman Sachs, JP Morgan, Barclays, Credit Suisse, Sumitomo Mitsui Financial Group, Mitsubishi UFJ Financial Group, BNP Paribas, Deutsche Bank in the award winner list of 2013. Winning three prestigious international honours in a single year could not have marked your bank's 12th anniversary better.

I would also like to congratulate the Managing Director & CEO for attaining 'The Leadership Achievement Award' from The Asian Banker. It is a reflection of his admirable capability in successfully leading the largest team in Bangladesh's banking industry.

While we celebrate these achievements, we also grieve the devastating loss of lives in the Savar tragedy. It has left a deep mark in our country's history and its impact is still reverberating in the heart of the economy. We express our deepest condolences for the departed and their families. Fortunately all our employees at the branch situated in the Rana Plaza building are safe due to the timely decision to close the operation of the branch a day before the building collapsed. Your bank was then one of the first to take the initiative and raise funds for Savar survivors, also arranging a blood donation camp at the bank's premises. I would like to thank those who donated.

Your bank prioritises its CSR programmes that help people and the planet in line with 3P philosophy – People, Planet and Profit. As part of larger BRAC family, social work is embedded in the DNA of this bank. Your bank has contributed to social welfare as part of its mission to serve the community. In light of UN's Millennium Development Goals, we have allocated major resources to education and health. In addition, social welfare, environment, legal rights, youth leadership and community development are key aspects of our agenda.

Your bank made a healthy profit in 2013, in spite of some challenging conditions, and the directors will be recommending a dividend payment of 10% cash and 10% stock at this year's AGM.

Your bank has made a tremendous recovery in 2013 from the plunge in profits in 2012 due to the new provisioning policies, and achieved a profit of BDT 1,246 million compared to BDT 540 million made in 2012, which is a 131% increase. The operating profit in 2013 was BDT 5,925 million compared to BDT 5,145 million in 2012 which is a 15% increase. The earnings per share has increased to BDT 2.81 in 2013 from BDT 1.14 in 2012. As an impact of the prolonged political unrest, the bank's assets stood at BDT 171,902 million in 2013 from BDT 173,677 million in 2012 registering a de-growth of 1.02%, total customers' deposits stood at of BDT 124,746 million compared to 134,646 million in the year 2012, registering a decline of 7.35%. However, we are confident that your bank has set the groundwork for delivering healthy growth in the coming year.

The central theme of BBL's vision, mission and core values, spins around sustainable development of the Small and Medium Enterprises (SMEs) which are often referred to as the 'missing middle in the customer pyramid'. Your bank served 433,481 Small and Medium Enterprises with BDT 248,351 million in loans till 2013, which has contributed to the creation of a total of 1.6 million as a direct impact of the Bank's SME financing programme. Of this, over BDT 33,676 million has been disbursed to 20,571 SMEs in 2013. The loan loss provision of SME Banking Division, compared to the previous year, was reduced by BDT 610 million in 2013 and the number of deposit accounts increased by 24,410.

In 2013, we have established Emerging Small Business (ESB) under the SME Division with a team of competent Relationship Managers to cater to a special segment of customers whose loan requirements are higher than the range of small loans and in most of the cases they own land/building/assets to offer as collateral for loans.

It is with immense gratification we can say that your bank stands as the largest SME bank in the country in terms of number and coverage of the SME distribution channels, amount of loan disbursement, number of SME customers, etc. Your bank has a wide distribution channel of 88 branches, 48 SME/Krishi branches, 21 SMESCs, 421 SME unit offices, 333 ATMs, 40 CDMs and 3,520 POS terminals across the country, and in excess of 1.4 million customers which is the highest number achieved for any bank in Bangladesh within a less than twelve-year period.

Your bank has created several milestones this year. Among others, this year we have also centered our focus on the younger generation and your bank has successfully opened more than 6,500 'Future Star' accounts through its "School Banking Programme" to instill a saving habit among school children. This programme not only brings school children under the umbrella of financial services but also reduces cost and hassle for the school. As per a school banking arrangement, BRAC Bank will open Future Star accounts for school students and collect school fees electronically from these accounts, which will eliminate the inconvenience of school fee payment as well as collection.

We introduced bKash in 2011 as part of our financial inclusion endeavour and today, with more than 10 million customers and more than 83,000 agents, bKash stands as the largest mobile financial service provider in the country. In April 2013 International Finance Corporation (IFC), a member of the World Bank Group, also became an equity partner of the company. As its latest innovation, bKash has brought the people of Bangladesh the easiest and most convenient way of sending and receiving international remittances.

It is our immense pleasure to inform you that BRAC Saajan Exchange, our first overseas subsidiary, has been able to achieve substantial growth during its first three years of operation. It has achieved 20% market share of the total UK remittance market by bringing in a volume of BDT 130 Million in 2013.

With the establishment of BRAC Saajan Exchange, BRAC Bank created the gateway to explore the new and unexploited European opportunities. In continuation of this endeavour, BSEL has acquired Sarl Franco GSM, a Bangladeshi-French MSB. In addition to this, as an Authorized Payment Institution (API), it is currently working to spread out the network to Italy, Greece and Spain. This has provided the opportunity for BSEL to establish a sustainable business model by managing multi-corridor remittance sourcing.

Your bank has rounded off the year by bringing to you yet another subsidiary, BRAC IT Services Ltd, in short bITs. bITs is a technology outsource service provider. It has been created with the technology team of BRAC Bank which has over the last decade provided the fastest technological advancements. With this latest addition to BRAC Bank's family, your bank is now fully equipped to provide all kinds of financial solutions under one wide umbrella. It is indeed a big achievement for your bank to have set its roots deep and spread out its arms so far and wide, in just 12 years.

It is a great achievement for us that our investment banking arm, BRAC EPL Investments Limited (BEIL), has established itself as the only full-fledged investment bank to provide portfolio management, mergers and acquisitions, private equity, foreign debt syndication, issue management, climate financing and other investment banking and structured finance services. BEIL is the most recognised investment bank for corporate advisory services in the market, as is evident from the transactions it closed in 2013 such as its role as the advisor to the Dhaka Stock Exchange to demutualise the exchange and 3 cross-border M&A transactions. BEIL has also been mandated to raise USD 300 million debt and equity for the largest ever infrastructure project in Bangladesh.

Our subsidiary BRAC EPL Stock Brokerage Limited has also delivered a good performance by doubling their profits in 2013. The market share of the company has also increased steadily in 2013 and is now 6.76% compared to 4.5% in 2012. They have also conducted research services for which they received Global Citation Award from Morgan Stanley and commendation from Blackrock, the largest asset manager in the world.

It is also my pleasure to share with you that Bangladesh Securities and Exchange Commission has accorded its approval to BRAC Bank for raising capital through issuing Right Shares of BDT 4,433 million. This will augment the bank's capital base as per regulatory requirement. In addition, the proceeds will be utilised to support business growth in terms of lending and to maintain the bank's capital adequacy ratio. The capital will also be required in the implementation of BASEL III requirements.

As you all know, BRAC Bank is a member of The Global Alliance for Banking on Values (GABV), a network of the world's leading sustainable banks. In the 2013 meeting, GABV issued a declaration outlining how the banking system should be transformed. The sustainable banks called for a fundamental shift in how banks operate by introducing three principles as fundamental for a paradigm shift in finance: Transparency, Sustainability and Diversity. To that end, BRAC Bank is continuously striving to instill all of the above in its core framework, and the remarkable progress of your bank is evident in the value structure and processes.

Your bank has a strong operating platform and a clear, focused strategy. Tight management of risks, capital and costs will continue to be a priority. We have built leading positions in our core business and we are well-placed to benefit from a better quality of assets. While continuing to pursue business targets, your bank is committed to maintaining a high standard of corporate governance in the operations of the bank.

We would like to greet 2014 with three challenges: driving profit growth, business growth in SMEs, and non-funded income growth through trade.

I would like to thank all of our customers who have supported the bank over the past 12 months and over the last 12 years. As Bangladesh's largest SME bank, the results we have achieved would not have been possible without your support.

I am also thankful to Bangladesh Bank, the Securities and Exchange Commission, the Registrar of Joint Stock Companies and Firms, and two Stock Exchanges, viz., Dhaka Stock Exchange and Chittagong Stock Exchange Limited, Central Depository Bangladesh Ltd. for their continued support.

Finally, I thank you all once again for placing your trust and confidence in us. I am convinced, with your support and collaboration, we will strive to make 2014 a greater success for your Bank.



Fazle Hasan Abed, KCMG
Chairman

MD & CEO's Message

Dear Shareholders,

BRAC Bank has completed 12 years of financial inclusion in 2013. It has been a year full of achievements and I am delighted to present them to you in this report. Our Founder Sir Fazle Hasan Abed resumed as Chairman of the bank earlier in the year and we can say with pride that we have succeeded in fulfilling the vision he had for the Bank.

12 years ago, Sir Fazle Hasan Abed, our founder Chairman and Chairperson of BRAC established BRAC Bank for serving the un-banked mass of the country. Today, BRAC Bank is riding on a 'remarkable success' to change the mindset of other private commercial banks. BRAC Bank is the pioneer of SME financing, realizing potentials and dreams of small entrepreneurs and empowering them. Following our footsteps, other banks now consider SME sector a bankable sector and are now coming forward to finance in the SME sector. Bangladesh Bank has created a separate department for SMEs as well. So our bank's success is that we have changed the mindset of the industry as well as the regulators.

BRAC Bank is synonymous with SME Banking with BDT 258,310 million loan, 434,050 SME entrepreneurs as customers, with 90% collateral-free loans. Its outstanding loans from SMEs stand at Tk 5,100 crore, which is 51 percent of its total loan portfolio. BRAC Bank disbursed SME loans to around 415 thousand people in the last 12 years, generating direct employment for around 1.66 million people.

Today, BRAC Bank is not just the largest SME Bank of Bangladesh, it has also become a financial hypermarket with a complete suite of banking and financial services for every customer.



You all know 2013 was one of the most challenging years in recent past. The entire banking industry felt the impact on the economy due to the political scenario. Despite the challenges, your bank has achieved 4% growth and we are thankful to all stakeholders for their unending support and confidence in us.

It takes 15-20 days to complete the loan approval process. So, your bank has started a pilot project in Bogra and Comilla to make spot loan approvals. Limited market information is one of the challenges to further expanding SME loans and so the bank has conducted a survey to better understand the SME market. Based on the financing needs the lending ticket size of Small Businesses have also increased substantially. In order to continue our excellence in small loans and to grow our business in the larger markets we have introduced a new segment named "Emerging Small Business" to cater to the needs of the comparatively larger sized small business. We have also created a new segment named Specialized Segments to grow the Agriculture Finance, Distributor Finance & Women Entrepreneurs.

In early 2013, we organized largest ever conference of SME entrepreneurs to reinforce our image of 'Think SME, Think BBL'. SME Uddokta Shommelon was a pathway to frame future roadmap of SME financing.

And as a result of its nationwide SME focus, BRAC Bank has a much bigger consumer footprint than bigger rivals. These attributes allowed your Bank to rapidly grow its deposit base in the past 12 months even as economic growth has slowed; SME loans have contributed to a more inclusive growth model for Bangladesh.

SME sector contributes 25% to GDP. The contribution will go up provided the entrepreneurs get access to finance. Your Bank plans to shore up its lending activities towards small entrepreneurs this year in a bid to further narrow the SME finance gap. Small has always been our focus, but we have decided to reaffirm it. The bank's lending towards small- and medium-sized enterprises (SMEs) is growing at 20 percent a year, while every month it disburses about Tk 450 crore among them.

We have aligned SME Service Center/SME Krishi Branch under SME Banking. We made sure that customers can avail Retail and SME products in all our touchpoints ensuring efficient channel mix. In another strategic decision, we have put CRM under SME Banking that will expedite loan processing, improve business efficiency and ensure customer satisfaction.

With a dedicated force of more than 6,600 employees and a country-wide reach through 157 branches, more than 333 ATMs, 421 SME Unit Offices and 3,520 POS terminals BRAC Bank takes financial services to the grassroot level.

The year was also a rewarding one for BRAC Bank. The Asian Banker's 'Best Managed Bank', and Finance Asia's 'Best Bank', and World Finance's 'Best Sustainable Bank' and 'Best Commercial Bank' Awards came as inspiration to all of us, as we celebrated the journey of 12 years. The prestigious international accolade was recognition of commitment and dedication of our employees and stakeholders.

We can also boast of the accomplishment of our subsidiaries this year. It is our immense pleasure to inform you that BRAC Saajan Exchange has been able to achieve substantial growth during its first three years of operation. It has achieved 20% market share of total UK remittance market by bringing in a volume of BDT 130 Million in 2013.

With the establishment of BRAC Saajan Exchange Ltd. (BSEL), BRAC Bank created the gateway to explore the new and unexploited European corridors. In 2013, 11 Exchange Houses owned by other Bangladeshi banks were severely restricted in carrying out their business in UK due to stringent compliance policies of Barclays Bank. However, BRAC Saajan is one of the only Bangladeshi owned Exchange Houses that has been able to meet the requirements. This opens up the opportunity for BRAC Saajan Exchange to expand into the European market which lack prominent exchange houses. In continuation of this endeavor, BRAC Saajan Exchange has acquired Sarl Franco GSM, a Bangladeshi-French Money Services Business. With this step, the proliferation to the other European countries is just a matter of time.

In addition to this, as an Authorized Payment Institute (API), it is currently working to spread out the network to Italy, Greece and Spain. This has provided the opportunity to BSEL to establish a sustainable business model by managing multi-corridor remittance sourcing. Besides this, BRAC Saajan Exchange has also got permission from the respective countries' regulatory authorities to commence remittance business with banks in Romania, India, Sri Lanka, Philippines and Pakistan. These have opened up opportunities for BSEL to enter different remittance receiving markets.

BRAC EPL Stock Brokerage and BRAC EPL Investments also fared well in the outgoing year. BRAC EPL Investments Limited has established itself as the only full-fledged investment bank to provide portfolio management, mergers & acquisitions, private equity, foreign debt syndication, issue management, climate financing and other investment banking and structured finance services. The market share of BRAC EPL Stock Brokerage has increased steadily in 2013 which is now 6.76% compared to 4.5% in 2012.

We are also planning to strengthen our mobile banking arm, bKash, to take financial services to more people across the country. At present, around 20 percent of the population is estimated to be under the banking umbrella.

Launching the mobile fund transfer service is one of the key achievements of the bank. It is a big lift for inclusive banking. bKash continued its march towards financial inclusion for the unbanked as dreamt by our Founder Chairman. With more than 10 million customers and more than 90,000 agents, bKash has become a household name in mobile banking.

This year we launched our fifth subsidiary BRAC IT Services Limited (biTS). Our objective is to provide a sustainable career path to our people in IT and at the same time to save foreign currency that usually goes to foreign IT companies. biTS also envisions providing IT consultancy services abroad in the near future.

BRAC Bank is the only bank in South Asia which has been part of the Global Alliance for Banking on Values (GABV). The alliance's 25 member banks comply with sustainable banking principles and have a shared commitment to find global solutions to international problems – and promote a positive, viable alternative to the current financial system.

We believe in sustainable banking. It is not just transaction and lending, we believe in relationship. We believe in how the lending is being used and whether our lending is positively impacting our borrowers and the people in the society. People are increasingly becoming aware of sustainability of their business. If we cannot do sustainable banking, we will fail. We need to focus on people and planet, and profitability will follow suit. We have been able to inculcate this culture in your bank from the top to the employees at the field level.

To ensure that the Bank operates with integrity, transparency, and equitable treatment to all stakeholders, to prevent conflict of interest and to maintain a good reputation, the Bank has set up a Corporate Governance policy of high standard, which fully complies with the good corporate governance principles as issued by all relevant regulators.

The policy will be a guideline for directors, executives and staff members to observe strictly as to enable the Bank to attain the good corporate governance practices.

Your bank has done reasonably well despite the fact that we have seen political uncertainty, financial scams, and volatility in stock prices in 2013. We have been able to exceed the budget by improving collection especially from SAM accounts and by being able to bring down the cost of deposit. In 2013, loans & advances declined by BDT 896 million, and deposits by BDT 9,900 million. SME Banking disbursed over BDT 34,172 million. Retail Banking has been instrumental in supporting the asset growth with disbursement of over BDT 11,796 million. Corporate Banking disbursed loans over BDT 60,751 million. Outstanding loan portfolio (including OBU) has increased by 13% over last year. Our Fund Under Management (FUM) stands at around BDT 227,480 million.

Yes, we also had challenges. But the bank has delivered a profit growth consistently for each of the 12 years we have crossed. We are now at a challenging time as well, but our continued pursuit of quality of loan and expansion - I am confident - will help us cross this critical hurdle.

In 2014, your bank will focus on improving the profitability of the bank by booking more quality assets, booking more fee income by becoming the "preferred trade bank", acquiring more customers with low cost deposits in order to reduce dependency on term deposits, improving service quality, improving knowledge base to give our customers better financial solution than the competition, bringing in efficiency at all levels, improving cost to income ratio.

In earlier years, we had stressed on bringing cost efficiency, managing asset and liability more efficiently and bringing efficiency in the Balance Sheet. This will help us to remain sustainable and resilient. Our focus will remain on these in the coming years as well.

Social responsibility is an integral part of your bank's value system. Our staff contributed one day's salary to help Savar tragedy victims and donated blood to help the survivors, and we also donated BDT 10 million for the families of the victims. We also facilitated distribution of compensation worth BDT 110 million by Primark, an international apparel buyer, to victims through bKash. The disaster might have destroyed our branch but could not diminish our indomitable spirit. We also continue to donate every year to the families of the BDR carnage. We were the first in industry to distribute warm clothes among cold-affected people and our people generously contributed in that. We have distributed approximately 3,500 new blankets, 6,000 sweaters and 17,000 usable clothes among more than 9,000 poor people for winter. In an unique industry example, our staff also ran the annual marathon to raise fund for humanitarian cause. We donated BDT 1 million to 'Bangladesh Protibondhi Foundation' on this occasion for building a school for children with special need at Karimganj of Manikganj district.

Your Bank believes in 3P Philosophy of People, Planet and Profit and we believe in establishing long term and sustainable CSR programmes. Some Initiatives of BRAC Bank CSR are BRAC Bank - Prothom Alo Trust Adama Medhabi Scholarship, Scholarships for students of BRAC University and Tetulia Pilot School, Society for Welfare of Autistic Children, Bishwa Shahitto Kendro, BRAC Bank - Samakal Shahitya Puroshkar.

We work with Daily Prothom Alo to realize higher education dream of poor students, with Dhaka University to encourage students to study science, with international not-for-profit organization Health and Education for All to provide healthcare to garment workers, with global campaign One Million Rising for women rights and empowerment. We partner with Bishwa Shahitto Kendro, BRAC University, The Daily Star, Bangabandhu Sheikh Mujib Medical University, Society for Welfare of Autistic Children, Kidney Foundation, Daily Samakal, Bangla Academy, Bengal Foundation, Rotary International, Zonta Club, North South University, Aga Khan School etc. for CSR programs.

Your bank is continuously updating its processes and systems as per latest regulatory guidelines. Your bank strives to think ahead of time and act ahead of competitors to retain our leadership in innovative banking. With our young and dynamic workforce, we continue to set trends in the industry and prove our distinctive character. We have lost our youngest bank status to nine new banks earlier this year, but we see this as an opportunity.

I would like to express my humble gratitude to our honorable Chairperson, Board of Directors, Regulators, Shareholders/Stakeholders and Employees for their continuous support and guidance for making BRAC Bank what it is today.

I am proud to work with such a dedicated team who not only works hard but also believes in realizing the dreams of our customers. We are grateful to our customers for their continued patronage and we commit to continue our endeavors to keep them happy & smiling. We are confident that we can make 2014 another prosperous year and cross more milestones.



Syed Mahbubur Rahman
Managing Director & CEO

Directors' Report

Dear Shareholders,

I am pleased to present the Directors' Report for your information. This report comprehensively outlines the performance of the Bank for the year ended 31st December 2013. The Board of Directors has reviewed the financial statements in order to ensure effective financial control, transparency and accuracy of financial data and financial reporting.

Financial Review

The banking industry of Bangladesh was put to test during the financial year 2013 in view of the extent of hurdles encountered, in contrast to the previous years. Among the many difficulties, apart from regaining control from the economic fallout in the global credit markets, the industry had to contend with the ever-growing political turmoil in the country. Nonetheless, BRAC Bank was able to withstand the magnitude of the tremor and remarkably, outperformed its competitors in the market. They were successful in stamping their footprint in just about every aspect of the banking activities starting from efficient utilization of funds, cost efficiency and ending with effective collection measures; thus fostering a growth in profit.

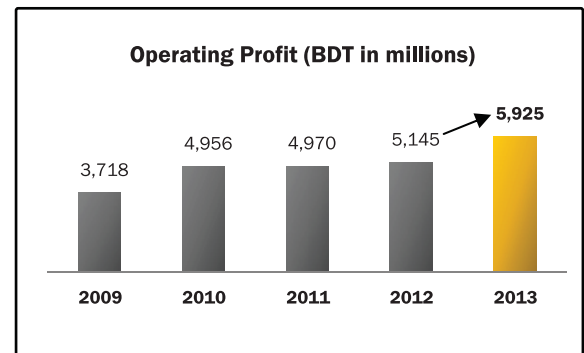
In essence, the bank remains in a commanding position financially with a continued focus on delivering on its mission of building a profitable, sustainable and socially responsible financial institution while focusing on Marketing and Business growth; thereby assisting its stakeholders in building a "just, enlightened, healthy, democratic and poverty free Bangladesh".

Financial Performance

BRAC Bank has had yet another successful year despite the unreceptive market conditions. The bank has carried on the good work from the previous year as far as collection and monitoring are concerned.

It has strengthened its team to provide more focused and efficient services to its clients and has centered its attention on trade banking services that eventually lead to a good increase in non-funded income.

Despite the challenges, through its efficient management and continued effort of dedicated staffs, the bank has made an operating profit of BDT 5,925 million.

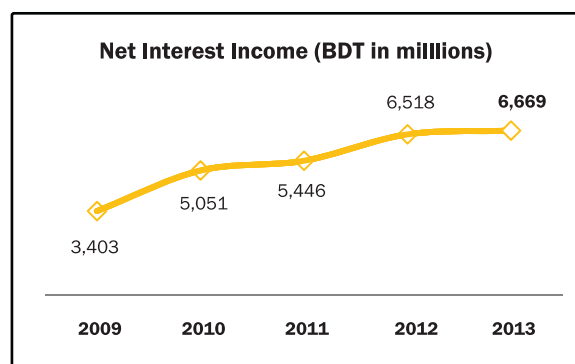
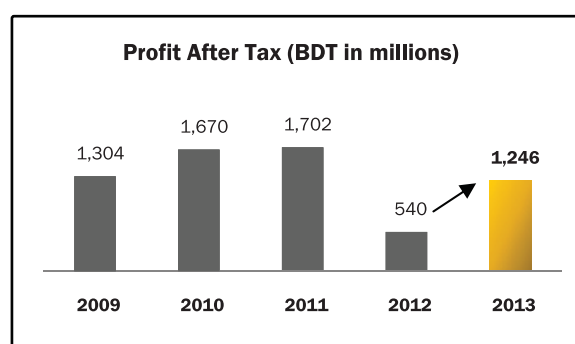


Operating Results

BRAC Bank's net profit after tax in 2013 was BDT 1,246 million – featuring an increase of 131% over the previous year.

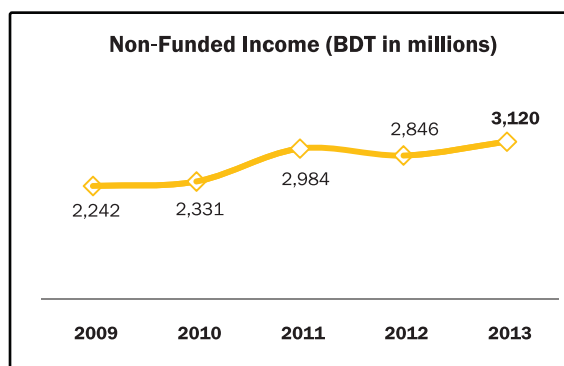
| BDT in Million | | | |
|-------------------------|-------|-------|----------|
| Particulars | 2013 | 2012 | % Change |
| Net Interest Income | 6,669 | 6,518 | 2% |
| Income From Investment | 2,672 | 1,531 | 75% |
| Other Operating Income | 3,120 | 2,846 | 10% |
| Operating Expense | 6,536 | 5,750 | 14% |
| Loan Loss Provision | 2,900 | 3,157 | -8% |
| Net Profit Before Taxes | 3,025 | 1,988 | 52% |
| Provision For Taxes | 1,778 | 1,448 | 23% |
| Profit After Taxes | 1,246 | 540 | 131% |

Return on Equity (ROE) and Earnings Per Share (EPS) amounted to 11.46% and BDT 2.81 respectively. Considering the current market scenario, the management of the bank efficiently managed its asset portfolio; in effect, the bank benefitted from a rise in their interest income by 5.97% in 2013.



In spite of a decrease in deposit portfolio by 7.35% in 2013, interest expense ascended by 8.31% in 2013 since there has been a considerable increase in net-borrowings from the market. This additional borrowing increased the investment income further. As a result, net interest income of BRAC Bank Ltd. increased by 2.31% in contrast to the previous year through all the troubles the industry endured.

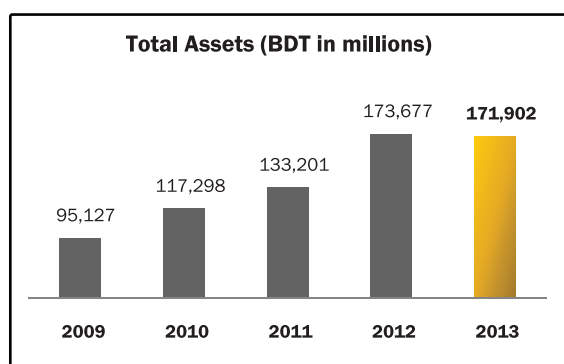
In 2013, concentration was inclined towards trade banking and write-off recovery that resulted in an increase in non-funded income by 9.63%.



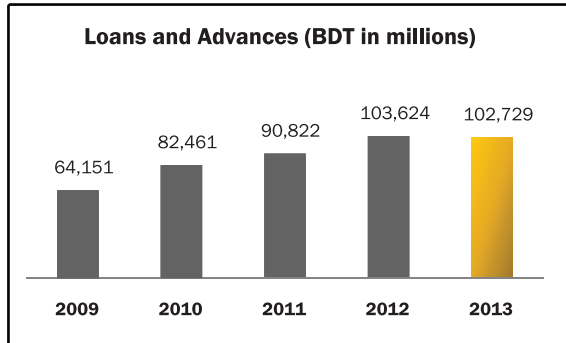
Operating expenses elevated by 13.68% this year as a result of the increase in not only the staff salary and allowances (that had gone up by 11.19%), due to the growth in service outlet and the effect of inflation on general expenses, but also for further investments in the strategic growth initiatives that include higher rents, taxes, insurance and legal expenses along with the costs associated with the relocation of branches and installation of the 43 new ATMs. However, number of employees in the bank got decreased by 10.52%

The benefit in 2013 reflected in the net reduction of provisions of 8.15%, largely driven by favorable collection.

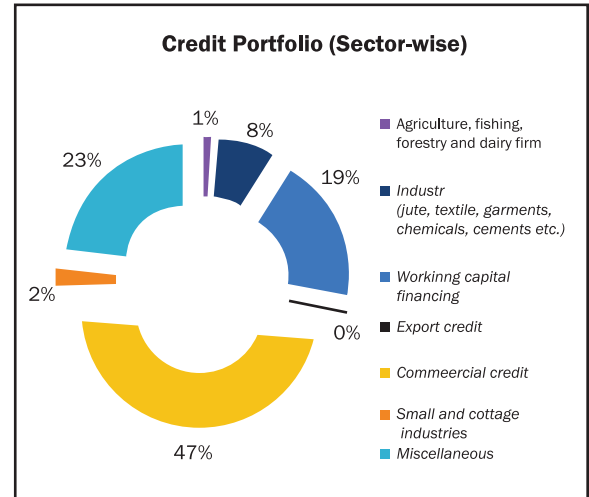
Total assets of the bank shrunk a little to BDT 171,902 million in 2013 from BDT 173,677 million in 2012 registering a de-growth of 1%.



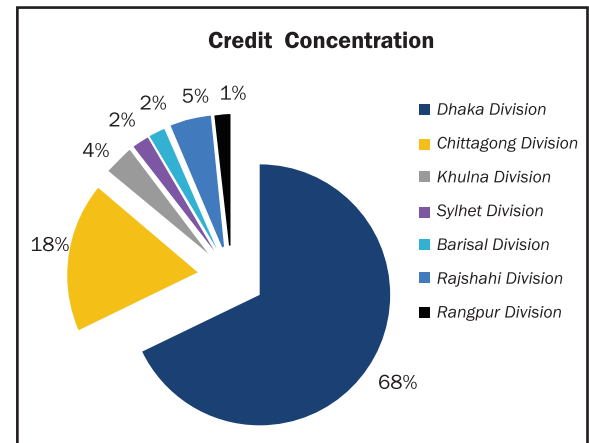
Loans and advances declined by 0.86% compared to the previous year.



SME sector is the main concentration area for the bank financing of the total loans and advances. Major portfolio of BRAC Bank Ltd. belongs to the commercial sector. The credit portfolio is illustrated below:



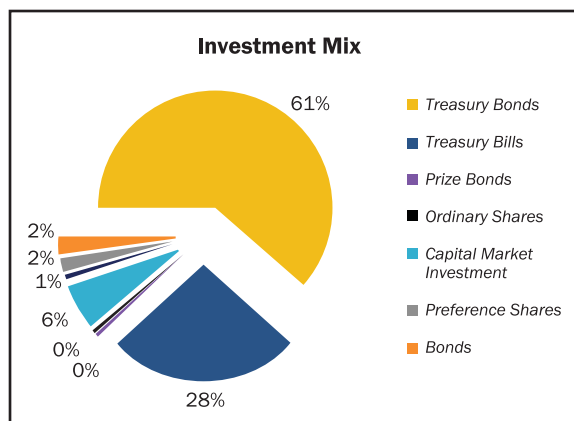
Credit concentration is demonstrated in the following pie-chart to exhibit the area of concentration of loans and advances. It can be deduced that about 32% of the total loan portfolio is concentrated outside Dhaka.



Total cash and cash equivalents, plus due from other banks have escalated by BDT 4,081 million.

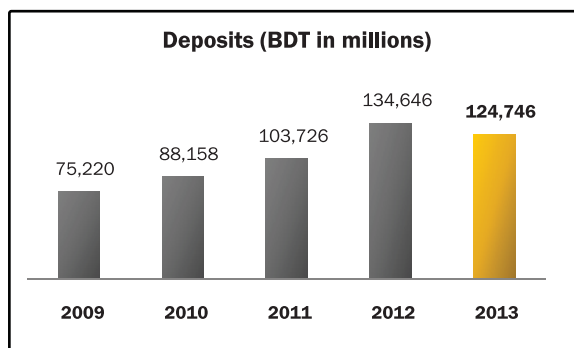
The bank's investments during the year 2013 were mostly in Government securities, which stood at BDT 19,365 million as on December 31, 2013 as opposed to BDT 21,858 million in the previous year.

| BRAC BANK LIMITED | | |
|---|----------------|----------------|
| Statement of Financial Position | | |
| As at 31 December 2013 | | |
| | (BDT Million) | |
| | 2013 Taka | 2012 Taka |
| PROPERTY AND ASSETS | | |
| Cash | 17,144 | 13,581 |
| Cash in hand | 8,525 | 4,750 |
| (Including foreign currency) | | |
| Balance with Bangladesh Bank and its agent Bank(s) | 8,619 | 8,831 |
| (Including foreign currency) | | |
| Balance with other Banks and Financial Institutions | 15,839 | 15,321 |
| Inside Bangladesh | 8,917 | 9,905 |
| Outside Bangladesh | 6,922 | 5,416 |
| Money at call and short notice | 21,299 | 25,373 |
| Investments | 19,365 | 21,858 |
| Government | 19,365 | 21,858 |
| Others | 1,934 | 3,514 |
| Loans and advances | 102,729 | 103,624 |
| Loans, cash credit, overdrafts etc. | 101,898 | 103,023 |
| Bills purchased & discounted | 831 | 601 |
| Fixed assets Including premises, furniture and fixtures | 2,443 | 2,591 |
| Other assets | 12,448 | 13,187 |
| Non-banking assets | - | - |
| Total Property and Assets | 171,902 | 173,677 |
| LIABILITIES AND CAPITAL | | |
| Liabilities | | |
| Borrowings from other banks, financial Institutions & agents | 7,479 | 40 |
| Borrowings from Central Bank | 1,438 | 4,527 |
| Convertible Subordinate Bonds | 3,000 | 3,000 |
| Money at Call and Short notice | 2,848 | 1,990 |
| Deposits and other accounts | 124,746 | 134,646 |
| Current accounts & other accounts | 39,125 | 42,405 |
| Bills payable | 992 | 1,693 |
| Savings deposits | 20,833 | 18,173 |
| Fixed deposits | 63,612 | 72,096 |
| Other deposits | 184 | 279 |
| Other liabilities | 20,803 | 19,320 |
| Total Liabilities | 160,314 | 163,522 |
| Capital and Shareholders' Equity | | |
| Paid up share capital | 4,433 | 3,855 |
| Share premium | 1,406 | 1,406 |
| Statutory reserve | 3,282 | 2,934 |
| Revaluation reserve | 745 | 558 |
| Surplus in profit and loss account/Retained Earnings | 1,722 | 1,402 |
| Total shareholders' equity | 11,587 | 10,155 |
| Total Liabilities and Shareholders' Equity | 171,902 | 173,677 |

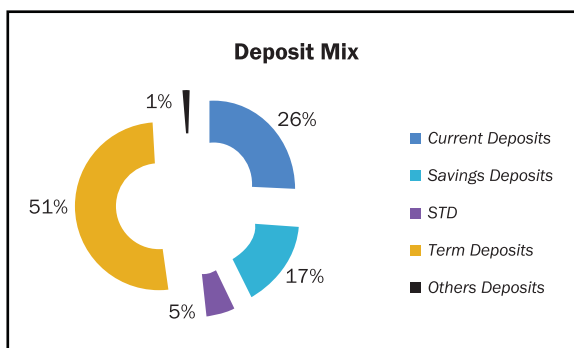


Out of the total investments, 89% was concentrated in Government Securities to maintain comfortable CRR and SLR ratio of the bank.

Total liabilities volume at December 31, 2013 amounted to BDT 160,314 million, decreased by BDT 3,208 million compared to 2012. The firm realized a decline in customer deposits by a margin of 7.35% in 2013 with a total of BDT 124,746 million contrary to the previous year.

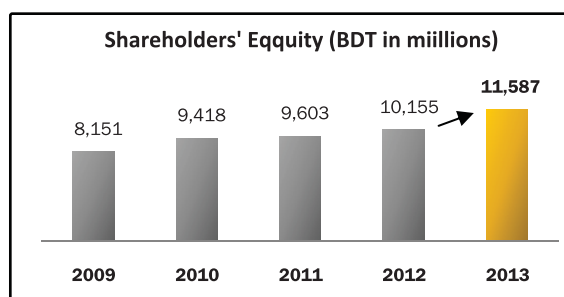


At present, a little over half the bank's deposits comprise of term deposits. The rest 49% belonged to current and savings deposits according to the total deposit mix illustrated below.

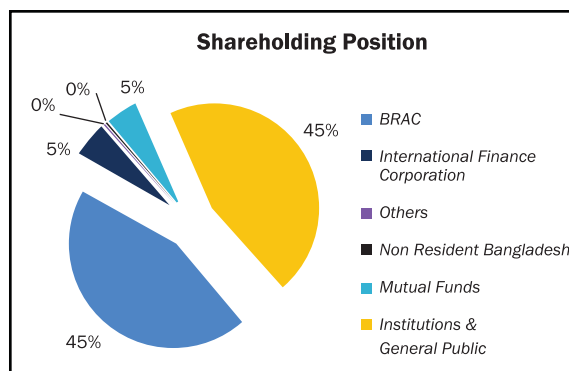


Shareholders' Equity

The shareholders' equity bolstered in 2013 by 14.1% compared to the previous year, chiefly because of the issuance of bonus shares realized in 2012. Furthermore, the increase in the statutory reserve to BDT 348 million along with the bank's subsidiaries contributed to this overwhelming growth.

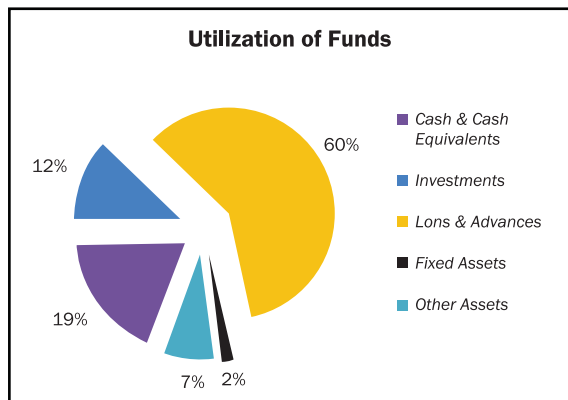
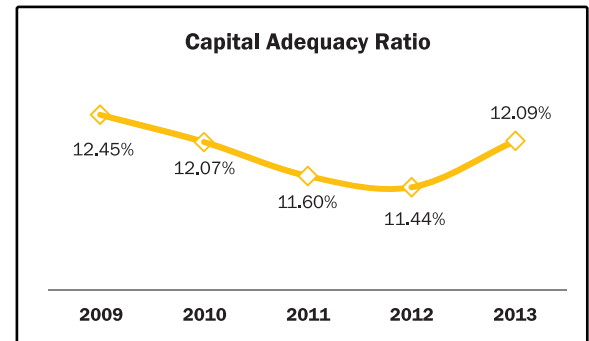
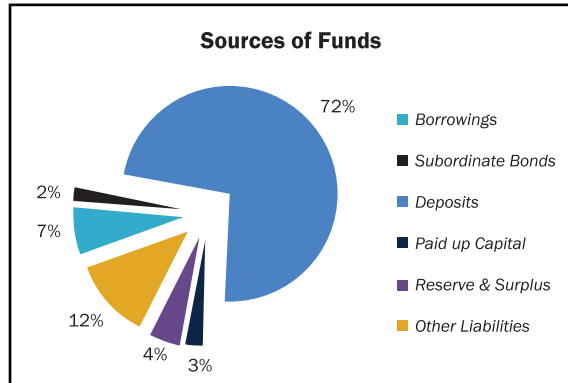


Within the sponsors, the shareholding of BRAC has increased merely to 44.6% as opposed to 43.8% in 2012. Similarly, shareholding by institutions and general public also rose slightly to 45.3% from 44.1% in 2012. The shareholding position of the bank as on December 31, 2013 is as follows:



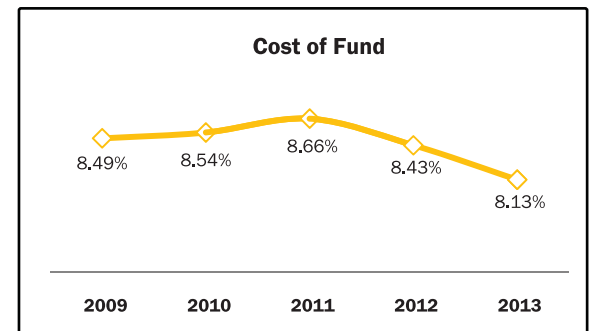
Sources and Utilization of Funds

A lion's share of BRAC Bank's fund derives from its customers' deposit accounts; bulk of which is utilized in loans and advances as can be distinguished from the charts below. A portion of it is kept in the form of cash and cash equivalents to maintain CRR and SLR ratios, which currently stands at 19.00% of the total deposits of the bank.



Cost of Fund

The bank's cost of fund has been lower over the last few years by efficient management of deposits.



Capital Adequacy

The bank maintained a capital adequacy ratio of 12.09% compared to the current regulatory requirement of 10.0%. At the end of 2013, the ratio of core capital and total capital to Risk Weighted Assets (RWA) were 8.44% and 12.09% respectively.

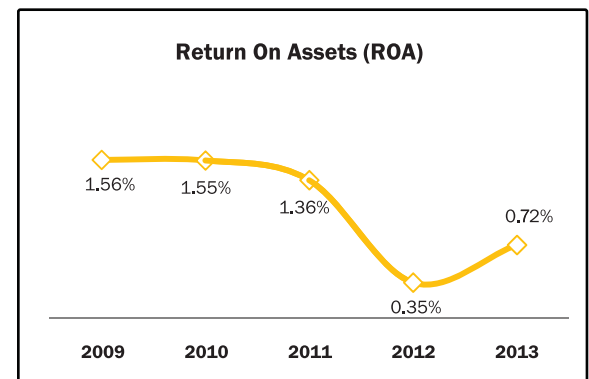
| | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------------------------|--------------|---------------|---------------|---------------|---------------|
| Capital - Core (Tier I) | 6,074 | 7,392 | 8,238 | 8,651 | 9,755 |
| Capital - Supplementary (Tier II) | 2,216 | 4,619 | 4,551 | 4,101 | 4,208 |
| Total Capital | 8,290 | 12,011 | 12,789 | 12,752 | 13,964 |

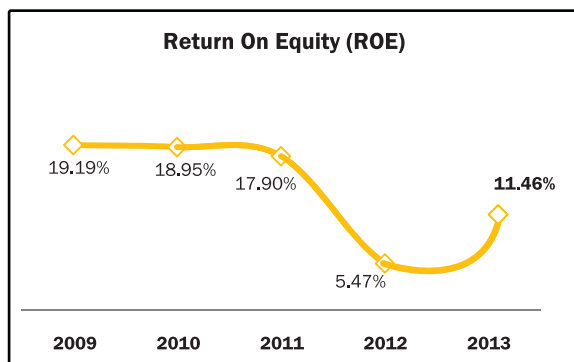
* Core capital (Tier I) includes paid-up capital, share premium account, statutory reserve and retained earnings.

** Supplementary capital (Tier II) includes general provision (on unclassified loans and off balance sheet items), preference share, subordinated debt and exchange equalization fund.

ROA and ROE

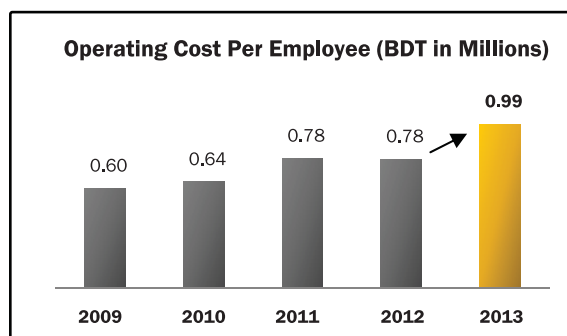
As can be observed from the following charts, the bank recorded a sharp ascent to 0.72% from last year as far as Return on Assets (ROA) is concerned. Return on Equity (ROE) jumped to 11.46% in 2013.





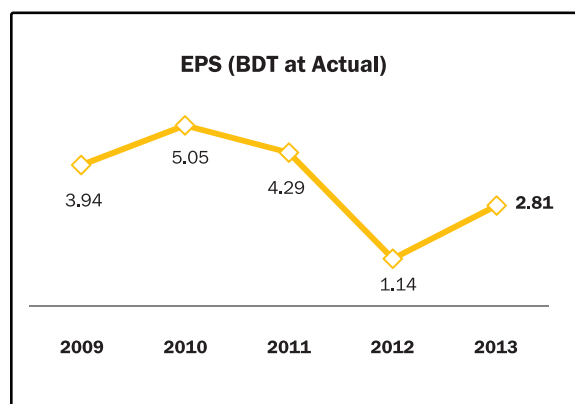
Operating Cost per Employee

Operating cost per employee has increased to 0.99 in the year 2013.



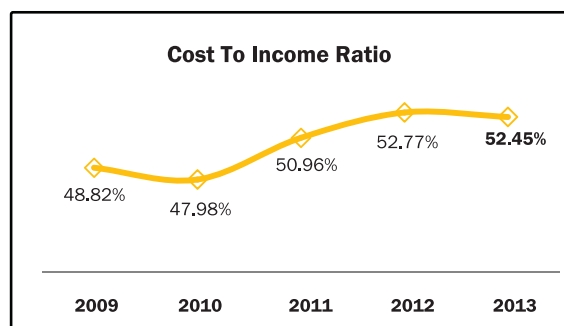
Earnings per Share

Earnings per Share rose from BDT 1.14 to BDT 2.81 this year as opposed to 2012 – considerably a good progress, especially after the amount of difficulties the industry endured in 2013.



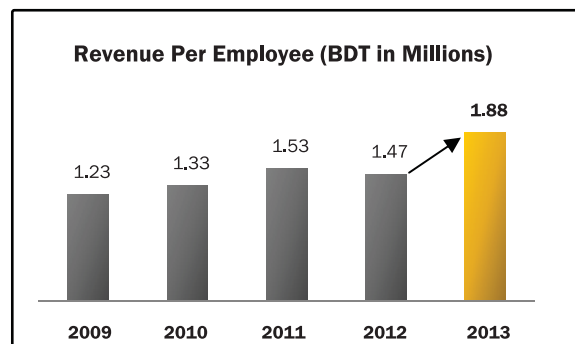
Cost to Income Ratio

In the year 2013, BRAC Bank Ltd. was able to cut back a little on the cost to income ratio by 0.32% due to a drive in cost reduction through efficiency and efficacy. This ratio demonstrates the effectiveness of the marginal revenue generation by the bank.



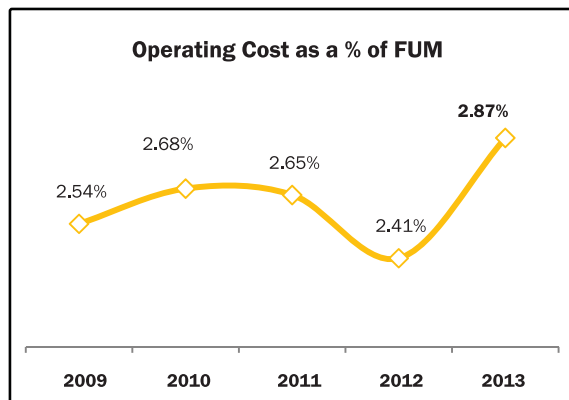
Revenue per Employee

The revenue per employee increased to 1.88 in 2013 from the prior year as well.



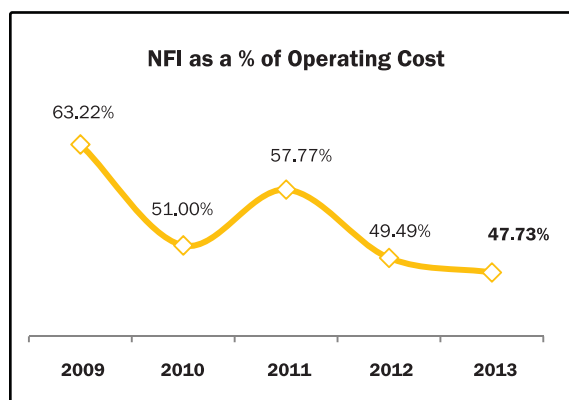
Operating Cost as a Percentage of FUM

Operating cost as a percentage of FUM has had a substantial rise to 2.87% from 2.41% in 2013. The resulting effect was due to the reduction in FUM in 2013.



NFI as a Percentage of Operating Cost

Even with an increased NFI, the bank experienced a dip in their non-funded income as a percentage of operating cost from 2012, resulting from a higher operating cost.



Contribution to National Exchequer

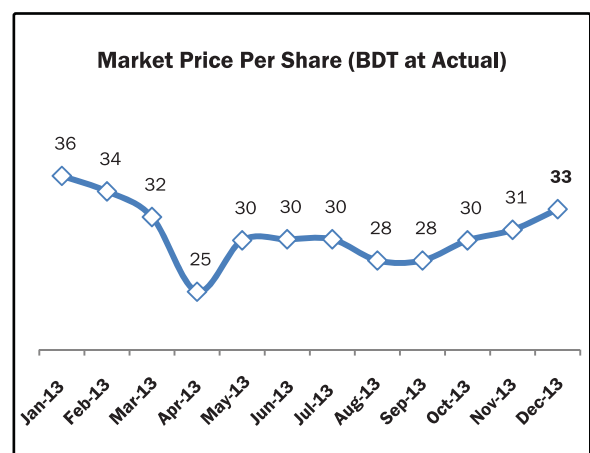
BRAC Bank has contributed much to the national economy in collecting Government Revenue and depositing the same to Government Exchequer according to prescribed laws prevailing in the country. Bank authority deducts tax, VAT and excise duty at the time of making payments for goods and services. Besides these, the bank also pays income tax on its earnings.

| Taka in Million | | |
|---------------------------------|--------------|--------------|
| Deposit to Government Exchequer | 2013 | 2012 |
| Tax Paid on Bank's Income | 1,467 | 1,304 |
| Tax Collect at Source | 1,302 | 1,276 |
| Value Added Tax (VAT) | 470 | 360 |
| Excise Duty | 171 | 160 |
| Total | 3,410 | 3,100 |

Shareholders' Value and Market Price Information

With its competent and visionary Board of Directors, quality human capital and advanced technology, BRAC Bank is always trying to increase the value of its shareholders. Bank management is constantly striving to improve the value of the shareholders as well as increase its earning base assets that will generate income in the future.

BRAC Bank emerged as a socially responsible and a committed bank that will create such impression in the minds of investors to be one of the leading banks in the industry. Reported market price of BRAC Bank's share in Dhaka Stock Exchange is BDT 32.60 on close of the last business done in 2013.



Meeting of the Directors

During the year 2013, 14 (fourteen) meetings of the Board of Directors and 06 (six) of the Audit Committee of the Board were held, with participation of the Board of Directors as follows:

| Board of Directors | Designation | Attendance in No. of Meetings |
|-----------------------------|------------------------------|-------------------------------|
| Sir Fazle Hasan Abed | Chairman | 12 |
| Mr. Muhammad A. (Rumee) Ali | Director (Nominated by BRAC) | 9 |
| Ms. Nihad Kabir | Independent Director | 12 |
| Mr. Shib Narayan Kairy * | Shareholder Director | 11 |
| Ms. Tamara Hasan Abed* | Shareholder Director | 10 |
| Dr. Hafiz G.A. Siddiqi | Independent Director | 14 |
| Ms. Zahida Ispahani | Independent Director | 7 |

* Ms. Tamara Hasan Abed & Mr. Shib Narayan Kairy resigned from the Board on Oct '13.

| Board Audit Committee Members | Designation | Attendance in No. of Meetings |
|-------------------------------|-------------|-------------------------------|
| Dr. Hafiz G.A. Siddiqi | Chairman | 6 |
| Mr. Muhammad A. (Rumee) Ali | Member | 3 |
| Ms. Nihad Kabir | Member | 4 |
| Mr. Shib Narayan Kairy ** | Member | 4 |

** Mr. Shib Narayan Kairy resigned from the Board on Oct '13.

Credit Rating

According to the Bangladesh Bank's BRPD Circular No. 06 dated July 05, 2006 and in order to improve the risk management and corporate governance as well as to safeguard the interest of investors, depositors, creditors, shareholders; the Bank was rated by Credit Rating Agency of Bangladesh Limited (CRAB) for the year ended 31 December 2012.

We are pleased to inform that Credit Rating Agency of Bangladesh Limited (CRAB) has affirmed "AA3" (pronounced Double A three) rating in the Long Term and "ST-2" rating in the Short Term to BRAC Bank Limited. Commercial Banks rated in this category is adjudged to be very strong banks, Characterized by very good financials, healthy and sustainable franchises and a first rate-operating environment. Rating in this category is characterized with commendable position in terms of liquidity, internal fund generation and access to alternative sources of fund.

The credit rating of BRAC Bank based on financial statements for the year ended 31 December, 2013 is under process and will be published in due course.

Dividend

Board of Directors is continuously making effort to uphold and protect the interest of all categories of Shareholders as well as to ensure stable growth of the Bank. In order to maintain a satisfactory capital adequacy ratio of the Bank, the Board declared 10% Stock and 10% Cash dividend for the year ended 31 December 2013, subject to the approval of the 15th Annual General Meeting.

Corporate Governance

BRAC Bank Ltd. places great emphasis on maintaining high standard of Corporate Governance. As the trustee on behalf of the shareholders of the bank, your Board is fully aware of its responsibilities, and therefore, endeavors to safeguard the interest of all concerned.

In terms of the Corporate Governance principles set out by the Bangladesh Securities & Exchange Commission, the bank is compliant with all the conditions in the Annual Report as stated in the Corporate Governance Compliance Report along with certification from competent authority as presented later in this report.

Right Share

During the years of operation, the Bank has grown extensively. The size of investment of the bank increased significantly. With the increase of loans and advances, the risk-weighted asset of the Bank is also increasing every year. Therefore to support the business growth of the bank in years to come as well as to meet the capital adequacy for regulatory requirement,

the Board of Directors and the Shareholders of BRAC Bank Limited have decided to raise its paid-up capital by BDT 2,216,522,880 by issuance of Right Shares of 221,652,288 ordinary shares of Tk. 20 each including a premium of Tk. 10/- per share at the ratio of 2:1 i.e. 1 (one) Right Share for 2 (two) existing shares held.

Retirement and Re-election of Directors

Pursuant to the Articles of Association and the Companies Act 1994 the following Directors will retire from the Board of BRAC Bank Limited in the 15th Annual General Meeting. Subsequently, they are eligible for re-election or re-appointment to the Board of Directors.

1. Mr. Muhammad A. (Rumee) Ali
2. Ms. Zahida Ispahani

We express our gratitude for your confidence on us. Your relentless support derived the growth and development of our business. Our heartiest gratefulness is for employees of BRAC Bank Ltd. for their commitment, devotion and hard work as they are core to our success. I also take this opportunity to evoke our shareholders, clients, government agencies, regulatory bodies and everyone the company is connected to in conducting its business with great appreciation. Thank you all for being with us. With your constant support and assistance, we are certain to overcome all the hurdles we come across and move forward with great confidence.



Chairman

Appointment of Auditors

The existing Auditors, Hoda Vasi Chowdhury & Co. Chartered Accountants (National Office, BTMC Bhaban, 8th Level, 7-9 Karwan bazaar, Dhaka-1215), will end their audit session for the year 2013. However, they are eligible for re-appointment for the year 2014 and hence have expressed their willingness to work with the bank for the third consecutive year. The Board of Directors has also recommended their re-appointment as auditors of the bank for the year 2014.

পরিচালকবৃন্দের প্রতিবেদন

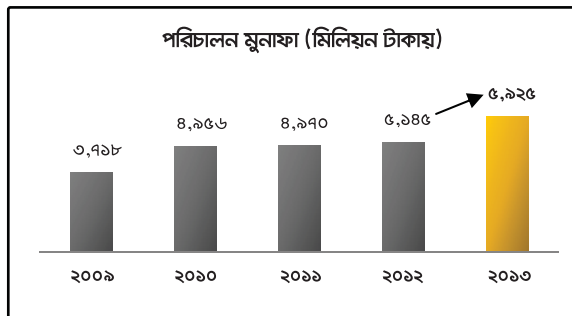
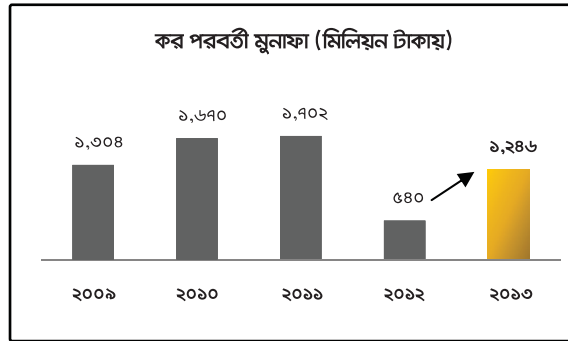
আর্থিক পর্যালোচনা

২০১৩ অর্থ বছর ব্যাংকিং খাতের জন্য ছিল একটি চ্যালেঞ্জের বছর। এর প্রধান কারণ ছিল বিশ্বের মন্দা ঋণ বাজার হতে বের হয়ে আসা, দেশের রাজনৈতিক অস্থিরতা এবং নিম্নমুখী বিনিয়োগ। তথাপি এ সময় ব্র্যাক ব্যাংক প্রতিযোগীদের মধ্যেও ব্যাংকিং ব্যবসা প্রবৃদ্ধির ধারাবাহিকতা বজায় রেখেছে। ব্যাংক এর তহবিলের দক্ষ ব্যবহার, অনাদায়ী ঋণ আদায় এবং ব্যয় সংকোচনের মাধ্যমে এর মুণাফার ধারা ধরে রাখতে সক্ষম হয়েছে। ব্যাংক এ সময় ক্রমবর্ধমান সম্ভাবনাময় বাজার এবং ব্যবসায়িক কার্যক্রম পরিচালনার মাধ্যমে একটি উজ্জ্বল সম্ভাবনাময় দারিদ্রমুক্ত বাংলাদেশ এবং শক্ত অর্থনৈতিক অবস্থা ধরে রেখেছে।

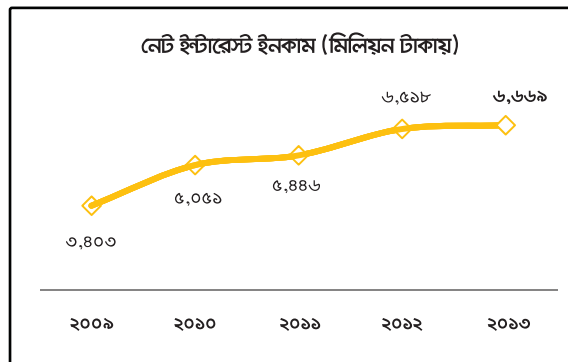
| মিলিয়ন টাকায় | | | |
|-------------------------|-------|-------|------------|
| বিবরণ | ২০১৩ | ২০১২ | % পরিবর্তন |
| নেট ইন্টারেস্ট ইনকাম | ৬,৬৬৯ | ৬,৫১৮ | ২% |
| ইনডেস্টিমেন্ট ইনকাম | ২,৬৭২ | ১,৫৩১ | ৭৫% |
| অন্যান্য অপারেটিং ইনকাম | ৩,৯২০ | ২,৮৪৬ | ১০% |
| অপারেটিং এক্সপেন্স | ৬,৫৩৬ | ৫,৭৫০ | ১৪% |
| লোন লস প্রভিশন | ২,৯০০ | ৩,৯৫৭ | -৮% |
| কর পূর্ব মুনাফা | ৩,০২৫ | ১,৯৮৮ | ৫২% |
| কর প্রভিশন | ১,৭৭৮ | ১,৪৪৮ | ২৩% |
| কর পরবর্তী মুনাফা | ১,২৪৬ | ৫৪০ | ১৩১% |

আর্থিক কার্যক্রম

প্রতিকূল বাজার ব্যবস্থা বিদ্যমান থাকা সত্ত্বেও, গত বছর ব্র্যাক ব্যাংক আরেকটি সফল বছর অতিক্রম করেছে। ব্যাংক তার কার্যক্রম সম্প্রসারণে ধারাবাহিকতা বজায় রেখেছে। ব্যাংক তার ক্ষমতাকে আরো বৃদ্ধি করার মাধ্যমে গ্রাহকদের আরো দক্ষতার সাথে সেবা প্রদান অব্যাহত রেখেছে। নান বাধা বিপত্তি থাকা সত্ত্বেও ব্যাংক তার দক্ষ পরিচালনা পর্ষদ এবং কর্মকর্তাদের ধারাবাহিক প্রয়াসের ফলে এ বছর পরিচালন মুনাফা করেছে ৬,৯২৫ মিলিয়ন টাকা।



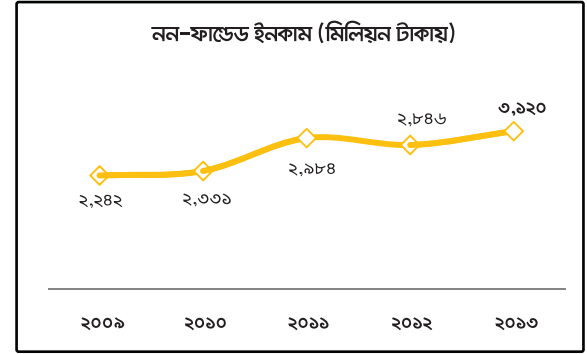
২০১৩ সালে ব্যাংকের সুদ আয় বেড়েছে ৫.৯৭%। এ সময়ে জমার পোর্টফলিও কমেছে ৭.৩৫%। তবে সুদ বাবদ খরচ বৃদ্ধি পেয়েছে ৮.৩১% যা প্রতিযোগী বাজারে গ্রহণযোগ্য বলে বিবেচিত। ২০১৩ সালে সুদজনিত আয় ৬,৬৬৯ মিলিয়ন টাকা যা গত বছরের তুলনায় ২% বেশী।



পরিচালন মুনাফার বিবরণ

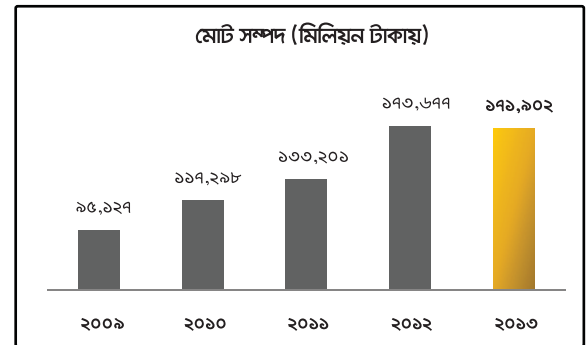
২০১৩ সালে প্রকৃত কর পরবর্তী মুনাফা হয়েছে ১,২৪৬ মিলিয়ন টাকা যা গত বছরের তুলনায় ১৩১% বেশী। রিটার্ন অব ইকুয়িটি (আর.ও.ই) ছিল ১১.৪৬% এবং শেয়ার প্রতি আয় হয়েছে ২.৮১ টাকা।

২০১৩ সালে নন-ফাডেড আয় বৃদ্ধি পেয়েছে ৯.৬৩% যার প্রধান কারণ ছিল অনাদায়ী ঋণ আদায় এবং ট্রেড ফাইন্যান্স এর দিকে অধিক নজর দেয়া। ২০১৩ সালে পরিচালন ব্যয় বৃদ্ধি পেয়েছে ১৩.৬৮%। পরিচালন ব্যয় বৃদ্ধির প্রধান কারণ ছিল ব্যবসা সম্প্রসারণ করতে অফিসারদের বেতন এবং ভাতা বৃদ্ধি। ২০১৩ সালে ৩১ ডিসেম্বর অনুযায়ী বেতন ভাতা বাবদ বৃদ্ধি পেয়েছে ১০.৬৭%। এছাড়া অফিস ভাড়া বৃদ্ধি, ব্যাংক এবং বীমা খরচ বৃদ্ধি, শাখা স্থানান্তর এবং ৪৩ টি নতুন এটিএম বুথ চালু করা হয়েছে, স্থায়ী সম্পত্তির অধিগ্রহণের ফলে অবচয় খরচ বৃদ্ধি। এ সময়ে কর্মচারীর সংখ্যা কমেছে ১০.৫২%।



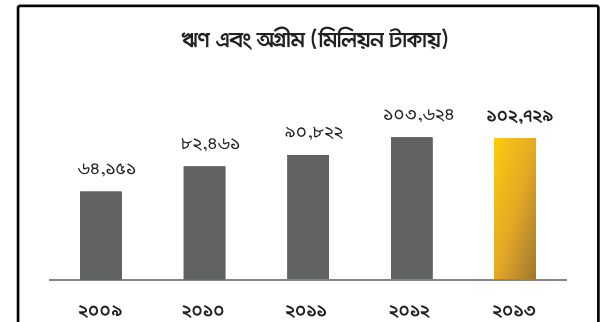
মোট সম্পদ

২০১৩ সালে মোট সম্পদের পরিমাণ ১৭১,৯০২ মিলিয়ন টাকা যা ২০১২ সালে ছিল ১৭৩,৬৭৭ মিলিয়ন টাকা এবং হ্রাসের হার ১%।



ঋণ এবং অগ্রীম

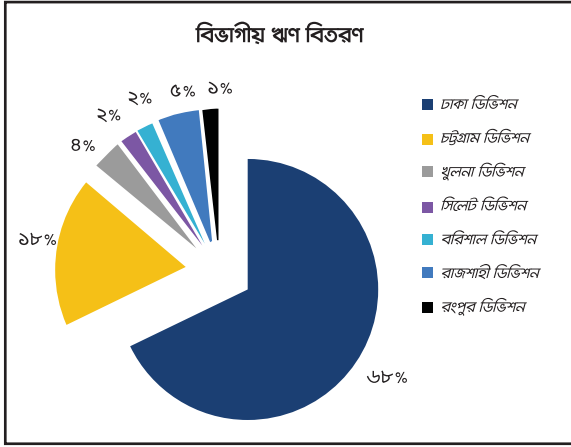
২০১৩ সালে ব্যাংকের মোট ডিপোজিট দাঁড়িয়েছে ১০২,৭২৯ মিলিয়ন টাকা। তবে ব্যাংক তার প্রধান ব্যবসা এসএমই সেক্টর-এ প্রতি বছরের ন্যায় এবছরও মোট পোর্টফলিও'র ৫০% এর বেশী ঋণ বিতরণ করেছে। ব্র্যাক ব্যাংক এর প্রধান পোর্টফলিও হলো ব্যবসা বানিজ্য খাত। সেক্টর অনুযায়ী ঋণ পোর্টফলিও'র একটি চিত্র নিচে প্রদান করা হলো;



| BRAC BANK LIMITED | | | | |
|---|------|--------------------------|-----------------------|--|
| Balance Sheet | | | | |
| As on 31 December 2013 | | | | |
| | | in BDT Million | | |
| | Note | 31 December 2013 Taka | December 2012 Taka | |
| PROPERTY AND ASSETS | | | | |
| Cash | 3 | 17,144 | 13,581 | |
| Cash in hand | | 8,525 | 4,750 | |
| (Including foreign currency) | | | | |
| Balance with Bangladesh Bank and its agent Bank(s) | | 8,619 | 8,831 | |
| (Including foreign currency) | | | | |
| Balance with other Banks and Financial Institutions | 4 | 15,839 | 15,321 | |
| Inside Bangladesh | | 8,917 | 9,905 | |
| Outside Bangladesh | | 6,922 | 5,416 | |
| Money at call and short notice | 5 | - | - | |
| Investments | 6 | 21,299 | 25,373 | |
| Government | | 19,365 | 21,858 | |
| Others | | 1,934 | 3,514 | |
| Loans and advances | 7 | 102,729 | 103,624 | |
| Loans, cash credit, overdrafts etc. | | 101,898 | 103,023 | |
| Bills purchased & discounted | | 831 | 601 | |
| Fixed assets including premises, furniture and fixtures | 8 | 2,443 | 2,591 | |
| Other assets | 9 | 12,448 | 13,187 | |
| Non-banking assets | 10 | - | - | |
| Total Property and Assets | | 171,902 | 173,677 | |
| LIABILITIES AND CAPITAL | | | | |
| Liabilities | | | | |
| Borrowings from other banks, financial Institutions & agents | 12 | 7,479 | 40 | |
| Borrowings from Central Bank | 13 | 1,438 | 4,527 | |
| Convertible Subordinate Bonds | 14 | 3,000 | 3,000 | |
| Money at Call and Short notice | 15 | 2,848 | 1,990 | |
| Deposits and other accounts | 16 | 124,746 | 134,646 | |
| Current accounts & other accounts | | 39,125 | 42,405 | |
| Bills payable | | 992 | 1,693 | |
| Savings deposits | | 20,833 | 18,173 | |
| Fixed deposits | | 63,612 | 72,096 | |
| Other deposits | | 184 | 279 | |
| Other liabilities | 17 | 20,803 | 19,320 | |
| Total Liabilities | | 160,314 | 163,522 | |
| Capital and Shareholders' Equity | | | | |
| Paid up share capital | 18.2 | 4,433 | 3,855 | |
| Preference share capital | 18.9 | - | - | |
| Share premium | 18.7 | 1,406 | 1,406 | |
| Statutory reserve | 19 | 3,281 | 2,934 | |
| Revaluation reserve | 20 | 745 | 558 | |
| Surplus in profit and loss account/Retained Earnings | 21 | 1,722 | 1,402 | |
| Total shareholders' equity | | 11,587 | 10,155 | |
| Total Liabilities and Shareholders' Equity | | 171,902 | 173,677 | |

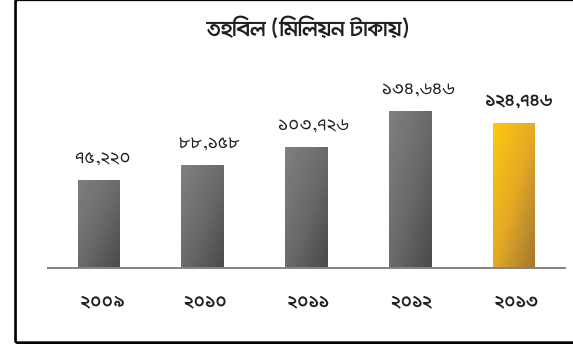
ঋণ বৃত্তান্ত

ঋণ ও ডিপোজিট এর একটি সুস্পষ্ট চিত্র নিম্নে একটি পাই চার্ট -এর মাধ্যমে দেখানো হয়েছে। মোট ঋণ পোর্টফলিও'র প্রায় ৩২% অর্থ বিতরণ করা হয়েছে ঢাকা বিভাগের বাইরে।



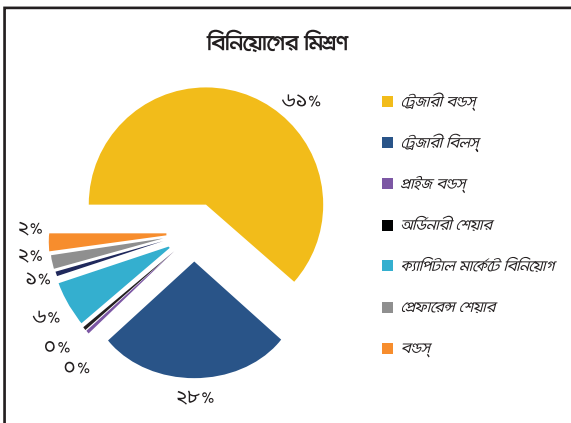
ডিপোজিট

২০১৩ সালে গ্রাহক ডিপোজিট কমেছে ৭.৩৬% এবং বছর শেষে মোট ডিপোজিট দাঁড়িয়েছে ১২৪,৭৪৬ মিলিয়ন টাকা যা ২০১২ সালে ১৩৪,৬৪৬ মিলিয়ন টাকা।



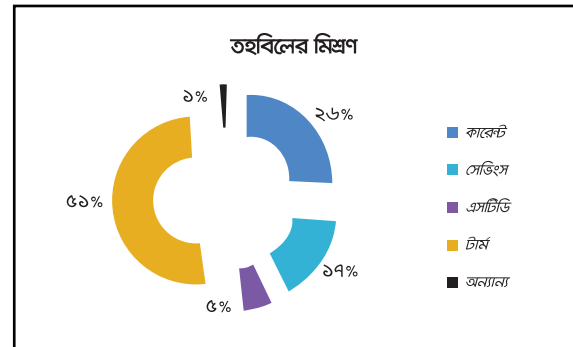
বিনিয়োগের খাত

২০১৩ সালে বেশির ভাগ বিনিয়োগই ছিল সরকারী সিকিউরিটিজে এবং ২০১৩ সালের ৩১ ডিসেম্বর পর্যন্ত এর পরিমাণ ছিল ১৯,৩৬৬ মিলিয়ন টাকা। এর মধ্যে ৮৯% বিনিয়োগ করা হয়েছিল সিআরআর এবং এসএলআর হার একটি সুবিধা জনক অবস্থানের রাখার জন্য। ২০১৩ সালে মোট দায় কমেছে ৩,২০৮ মিলিয়ন টাকা এবং ২০১৩ সালের ৩১ ডিসেম্বর তারিখে দাঁড়িয়েছে ১৬০,৩৯৪ মিলিয়ন টাকা। এই দায় কমানোর কারণ হলো আমানতকারীর ডিপোজিট পরিমাণ কমে যাওয়া।



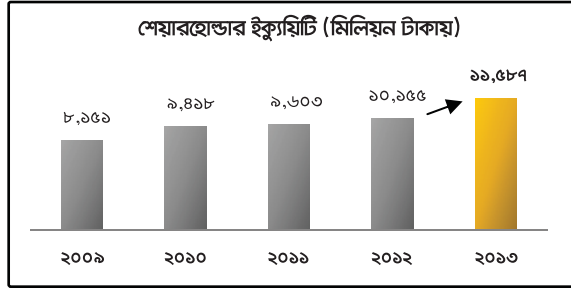
ডিপোজিট মিশ্রণ

বর্তমানে ব্যাংকের বেশিরভাগ ডিপোজিট হলো টার্ম ডিপোজিট। প্রায় ৬১% ডিপোজিট হলো টার্ম ডিপোজিট। অন্যান্যদের মধ্যে ২৬% কারেন্ট ডিপোজিট এবং ১৭% সঞ্চয় হিসাব।



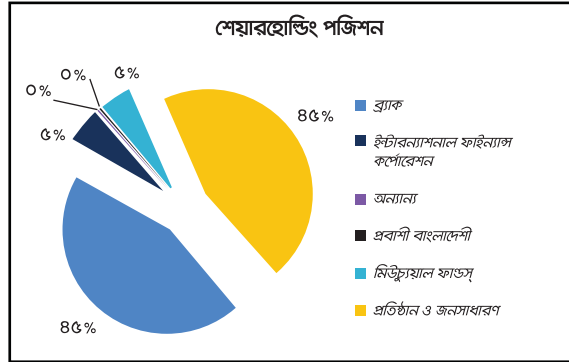
শেয়াহোল্ডার ইকুয়িটি

গত বছরে শেয়ারহোল্ডার ইকুয়িটি বৃদ্ধি পেয়েছে ১৪.১%। গত বছর বোনাস শেয়ার দেয়ার কারণে পরিশোধিত মূলধন বৃদ্ধি পেয়ে হয়েছে ৪,৪৩৩ মিলিয়ন টাকা। স্ট্যাটেউটরি রিজার্ভ বৃদ্ধি পেয়েছে ৩৪৮ মিলিয়ন টাকা। এ বছর সাবসিডিয়ারী সমূহ তাদের উদ্ধৃত ব্যাংকের লাভ ও ক্ষতি হিসাবের স্থানান্তর করতে সক্ষম হয়েছে।



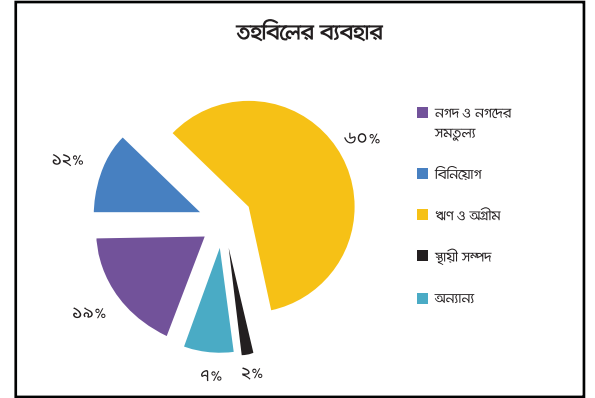
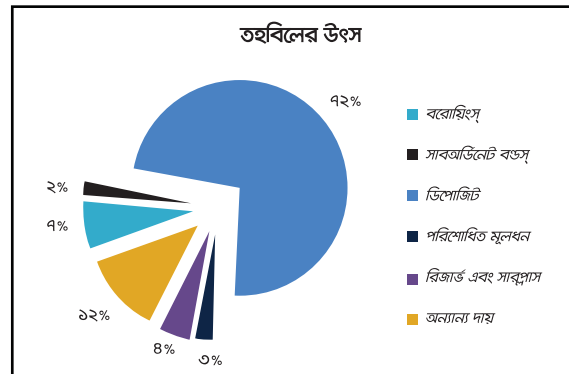
শেয়ার হোল্ডিং পজিশন

স্পন্সর শেয়ারহোল্ডারের মধ্যে ব্র্যাক এর শেয়ারহোল্ডিং ৪৪.৬৪%, শোরক্যাপ তার সমুদয় শেয়ার বিক্রয় করে দিয়েছে এবং ব্রাক ক্রয় করেছে। আইএফসি এর শেয়ারহোল্ডিং ৫.৩৬%। অর্থাৎ স্পন্সর শেয়ারহোল্ডার মোট শেয়ারের ৫০% এবং সাধারণ শেয়ারহোল্ডার ৫০% শেয়ার ধারণ করছে। বিস্তারিত শেয়ারহোল্ডিং বার্ষিক প্রতিবেদনে উল্লেখ করা হয়েছে।



তহবিলের উৎস ও ব্যবহার

গ্রাহকের জমাকৃত টাকাই ব্যাংকের অর্থের মূল উৎস। যার পরিমাণ মোট অর্থের ৭২%। এর মধ্যে ৬০% অর্থ ঋণ হিসেবে বিতরণ করা হয়েছে এবং ১২% বিনিয়োগে ব্যবহার করে হয়েছে।



এছাড়া তহবিলের একটি অংশ নগদ এবং নগদের সমতুল্য রূপে সি.আর.আর. এবং এস.এল.আর. হিসেবে রাখা হয়। বর্তমানে যার পরিমাণ ব্যাংকের মোট তহবিলের ১৯%।

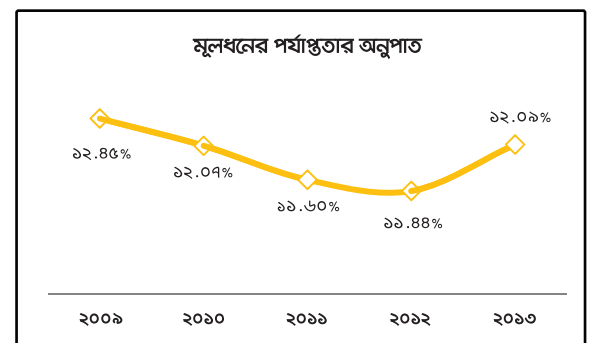
মূলধনের পর্যাাপ্ততা

২০১৩ সালে ব্যাংক ১২.০৯% হারে মূলধনের পর্যাাপ্ততা বজায় রেখেছে। নিয়ম অনুযায়ী বর্তমানে যার মাত্রা কম পক্ষে ১০% রাখতে হয়। ২০১৩ সালে ব্যাংকের কোর ক্যাপিটাল এবং গড় ব্লকি সঞ্চিতি যথাক্রমে ৮.৪৪% এবং ১২.০৯%।

কোর মূলধন (টায়ার-১): পরিশোধিত মূলধন, শেয়ার প্রিমিয়াম একাউন্টস, স্ট্যাটেউটরি রিজার্ভ এবং রিটেইন্ড আর্নিং।

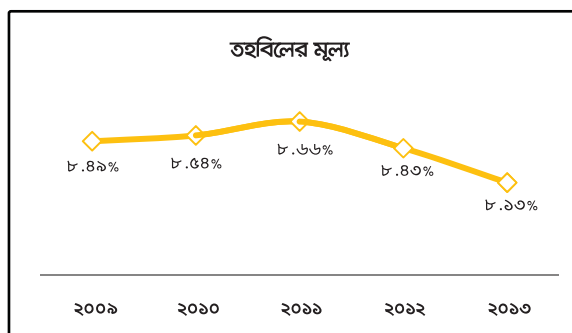
সম্পূরক মূলধন (টায়ার-২): সাধারণ প্রভিশন (ক্লাসিফাইড খণের উপরে), প্রেফারেন্স শেয়ার, সাবঅর্ডিনেট ঋণপত্র এবং এক্সচেঞ্জ ইকুলাইজেশন ফান্ড।

| | ২০০৯ | ২০১০ | ২০১১ | ২০১২ | ২০১৩ |
|---------------------------------|-------|--------|--------|--------|--------|
| মূলধন-কোর (টায়ার-১) | ৬,০৭৪ | ৭,৩৯২ | ৮,২৩৮ | ৮,৬৫৯ | ৯,৭৫৫ |
| মূলধন-সাপ্লিমেন্টারি (টায়ার-২) | ২,২১৬ | ৪,৬৯৯ | ৪,৫৫৯ | ৪,৯০৯ | ৪,২০৮ |
| মোট মূলধন | ৮,২৯০ | ১২,০৯১ | ১২,৭৯৭ | ১৩,৫৬৮ | ১৩,৯৬৩ |



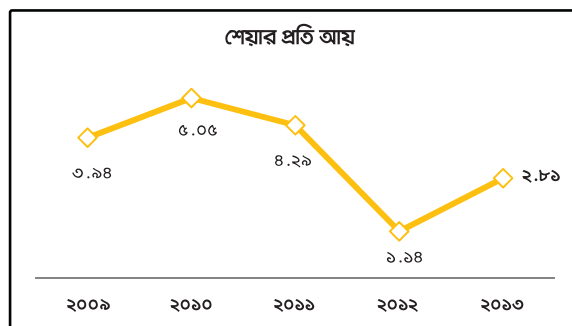
তহবিলের মূল্য

গত কয়েক বছর ধরে ব্যাংকের তহবিলের মূল্য নিম্নতর আছে। ২০১৩ সালের ৩১ ডিসেম্বর তারিখে তহবিলের মূল্য কমে দাড়িয়েছে ৮.১৩% যা পূর্বের বছরে ছিল ৮.৪৩%।



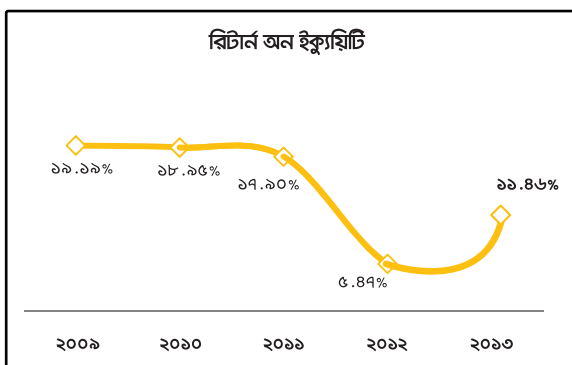
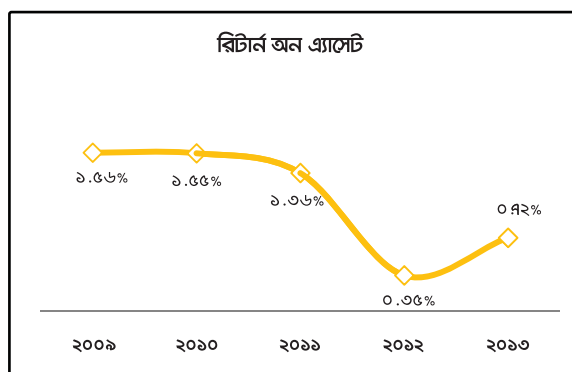
শেয়ার প্রতি আয়

৩১ শে ডিসেম্বর ২০১৩ তারিখে শেয়ার প্রতি আয় ২.৮১ টাকা যা ২০১২ সালে ছিল ১.১৪ টাকা।



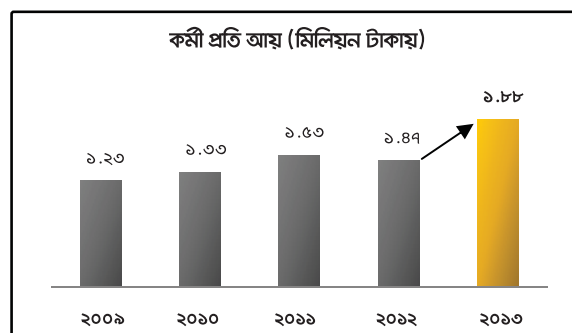
রিটার্ন অন এসেট এবং রিটার্ন অন ইকুয়িটি

২০১৩ সালে রিটার্ন অন এসেট ০.৭২%। যা ২০১২ সালে ছিল ০.৩৬%। রিটার্ন অন ইকুয়িটি ১১.৪৬% যা ২০১২ সালে ছিল ৬.৪৭%।



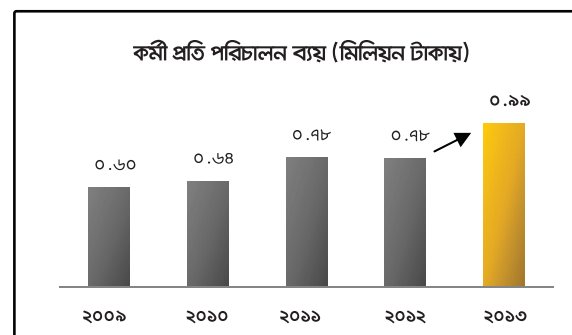
কমী প্রতি আয়

গত পাঁচ বছর ধরে কমী প্রতি আয় ধীরে ধীরে উপরের দিকে উঠছে। ২০১৩ সালের ৩১ ডিসেম্বর অনুযায়ী কমী প্রতি আয় ১.৮৮ টাকা যা পূর্বের বছরে ছিল ১.৪৭ টাকা।



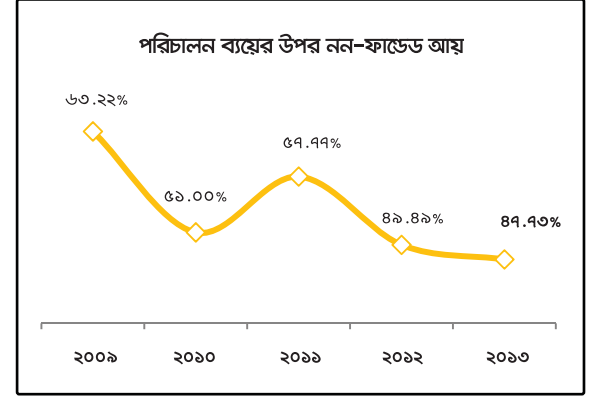
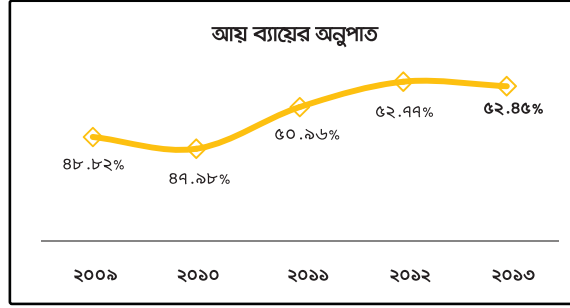
কমী প্রতি পরিচালন ব্যয়

সেবার পরিধি বৃদ্ধি ও মূল্যস্ফীতির জন্য কমী পরিচালন ব্যয় ২০১৩ সালে কিছুটা বেড়েছে। ২০১৩ সালের ৩১ ডিসেম্বর কমী প্রতি পরিচালন ব্যয় ০.৯৯ মিলিয়ন টাকা যা পূর্বের বছরে ছিল ০.৭৮ মিলিয়ন টাকা।



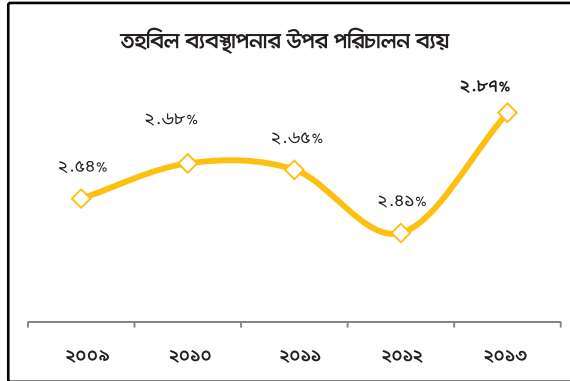
আয় ব্যয়ের অনুপাত

২০১৩ সালে ৩১ ডিসেম্বর অনুযায়ী আয়ের তুলনায় ব্যয় দাড়িয়েছে ৫২.৪৫% যা ২০১২ সালে ছিল ৫২.৭৭% যা হতে প্রতিয়মান হয় যে, আয় তুলনায় ব্যয়ের হার ক্রমান্বয়ে কমিয়ে আনতে সক্ষম হচ্ছে।



তহবিল ব্যবস্থাপনার উপর পরিচালন ব্যয়

তহবিলের ব্যবস্থাপনায় উপর পরিচালন ব্যয় গত বছরের তুলনায় বৃদ্ধি পেয়েছে ২.৮৭% যা ২০১২ সালে ছিল ২.৪৯%। এ প্রেক্ষিতে এ বছরে ব্যবস্থাপনা তহবিল কমিয়ে আনা হয়েছে। তবে তহবিল ব্যবস্থাপনার শতকরা পরিচালনা ব্যয় গত কয়েক বছর ধরে সংগতিপূর্ণ অবস্থায় আছে।



পরিচালন ব্যয়ের উপর নন-ফান্ডেড আয়

পরিচালন ব্যয়ের উপর ব্যাংকের নন-ফান্ডেড আয় গত বছরের তুলনায় এ বছর কমেছে। ২০১২ সালে নন-ফান্ডেড আয় ছিল ৪৯.৪৯%। ২০১৩ সালের ৩১ ডিসেম্বর তারিখে যা হয়েছে ৪৭.৭৩%।

জাতীয় তহবিলে অবদান

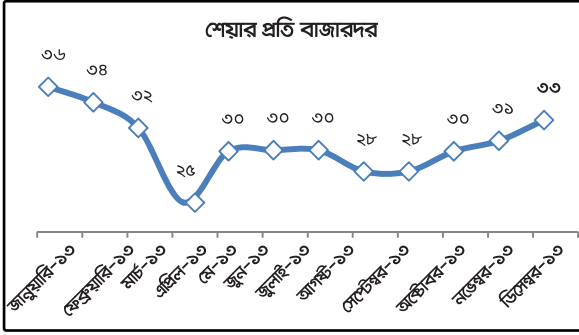
সরকারী রাজস্ব তহবিলে ব্যাক ব্যাংক প্রতিবছরের ন্যায় এ বছরও যথেষ্ট অবদান রেখেছে। পণ্য ও সেবা সমূহের জন্য অর্থ প্রদানের সময় ব্যাংকের কর্তৃপক্ষ কর, মূল্য সংযোজন কর এবং এক্সাইজ ডিউটি কেটে রাখে। এটা ছাড়াও ব্যাংকটি তার আয় সমূহের উপর আয়কর প্রদান করে।

| মিলিয়ন টাকায় | | |
|------------------------------|-------|-------|
| সরকারী তহবিলে জমা | ২০১৩ | ২০১২ |
| ব্যাংকের আয়ের উপর কর পরিশোধ | ১,৪৬৭ | ১,৩০৪ |
| উৎস স্থলে কর সংগ্রহিত | ১,৩০২ | ১,২৭৬ |
| মূল্য সংযোজন কর | ৪৭০ | ৩৬০ |
| এক্সাইজ ডিউটি | ১৭১ | ১৬০ |
| মোট | ৩,৪১০ | ৩,১০০ |

শেয়ারহোল্ডারদের মর্যাদা ও বাজারদরের তথ্য

আমাদের উপযুক্ত ও দূরদৃষ্টি সম্পন্ন পরিচালক পর্ষদ, মানবসম্পদ এবং অগ্রসরমান তথ্যপ্রযুক্তির সাথে সাথে সর্বদা শেয়ারহোল্ডারদের মর্যাদা বৃদ্ধির চেষ্টা করছে। ব্যাংকের ব্যবস্থাপনা পর্ষদ তার শেয়ারহোল্ডারদের মর্যাদা উন্নত করার সাথে সাথে ব্যাংকের আয় ভিত্তিক সম্পত্তিসমূহ যেগুলো ভবিষ্যতে আয় বয়ে আনবে সেগুলো বৃদ্ধিতে সর্বদা প্রতিযোগিতায় লিপ্ত আছে।

ব্র্যাক ব্যাংক একটি সামাজিক দায়বদ্ধ এবং প্রতিশ্রুতিবদ্ধ ব্যাংক হিসেবে আজ সকলের কাছে পরিচিত। এটা বিনিয়োগকারীদের মনকে প্রভাবিত করবে ইডাক্সির অন্যতম নেতৃস্থানীয় ব্যাংক হিসেবে। ২০১২ সালের সমাপ্ত বছরে ঢাকা স্টক এক্সচেঞ্জে প্রচারিত ব্র্যাক ব্যাংক লিমিটেডের শেয়ারের বাজারদর ছিল ৩৫ টাকা।



রাইট শেয়ার

ব্যাংক তার কার্যপরিধি প্রতি বছর সম্প্রসারণ করছে। ব্যাংকের বিনিয়োগের পরিমাণ উল্লেখযোগ্যভাবে বৃদ্ধি পেয়েছে। ঋণ এবং ডিপোজিট বৃদ্ধির সাথে সাথে ব্যাংকের ঝুঁকি নিরোপিত মূলধনের চাহিদা একই সঙ্গে বৃদ্ধি পাচ্ছে। তদুপরি, ব্যাংকের কার্যক্রম সম্প্রসারণ এবং নিয়ন্ত্রক সংস্থার চাহিদা মেটাতে পরিচালক পর্ষদ পরিশোধিত মূলধনের পরিমাণ বৃদ্ধির লক্ষ্যে মোট ৪৪৩.৩০ কোটি টাকার রাইট শেয়ার ইস্যু করার সিদ্ধান্ত নিয়েছে। মোট ২২১,৬৫২,২৮৮ টি রাইট শেয়ার যার প্রতিটির মূল্য ২০ টাকা (১০ টাকা প্রিমিয়ামসহ) এবং ২টি শেয়ারের বিপরীতে ১টি রাইট শেয়ার দেয়া হবে। রাইট শেয়ারের আবেদন শুরু হবে ২০ এপ্রিল ২০১৪ এবং শেষ হবে ১৫ মে ২০১৪।

পরিচালক পর্ষদের সভা

২০১২ সালে পরিচালক পর্ষদের মোট ১৪ টি এবং নিরীক্ষণ/নিরীক্ষক কমিটির ৬ টি সভা অনুষ্ঠিত হয়।

ক্রেডিট রেটিং

বাংলাদেশ ব্যাংক এর ৬ জুলাই ২০০৫ তারিখের বি.আর.পি.ডি সার্কুলার নং ০৬ অনুসারে এবং ঝুঁকি ব্যবস্থাপনা ও কর্পোরেট গভর্নেন্স এর উন্নয়ন, সর্বোপরি বিনিয়োগকারী, আমানতকারী ও শেয়ারহোল্ডারদের স্বার্থ সমুন্নত রাখার জন্য আমরা ক্রেডিট রেটিং এজেন্সি অব বাংলাদেশ- এর মাধ্যমে ৩১শে ডিসেম্বর ২০১২ পর্যন্ত ব্যাংকের ক্রেডিট রেটিং সম্পন্ন করেছি।

ক্রেডিট রেটিং এজেন্সি অব বাংলাদেশ ব্র্যাক ব্যাংককে দীর্ঘ মেয়াদে “ডাবল এ থ্রি” এবং স্বল্প মেয়াদে “এস.টি-২” রেটিং প্রদান করেছে। এ রেটিং বাণিজ্যিক ব্যাংকের শক্তিশালী অর্থনৈতিক অবস্থাকে ইঙ্গিত করে, যার রয়েছে খুবই মজবুত, সুষ্ঠু ও টেকসই অর্থ ব্যবস্থা এবং প্রথম শ্রেণীর কার্য পরিবেশ। এই রেটিং এর মাধ্যমে ব্যাংকের তারল্য, আভ্যন্তরীণ মূলধন যোগান এবং বিকল্প ব্যবস্থাপনার মাধ্যমে তহবিল সংগ্রহের ক্ষেত্রে সুদৃঢ় অবস্থানের প্রমাণ করে। ব্যাংকের ৩১ ডিসেম্বর ২০১৩ সমাপ্ত বছরের ক্রেডিট রেটিং প্রক্রিয়াধীন রয়েছে যা শীঘ্রই প্রকাশিত হবে।

ডিভিডেন্ড

আপনাদের পরিচালনা পর্ষদ ব্যাংক এর ক্রমানুষ্ঠিত লক্ষ্যে এবং সকল শেয়ারহোল্ডারদের স্বার্থকে সমুন্নত রাখার জন্য বিভিন্ন পদক্ষেপ গ্রহণ করে চলেছেন। ব্যাংকের সন্তোষজনক মূলধন পর্যা্যপ্ততা অনুপাত অক্ষুণ্ণ রাখার জন্য বোর্ড, ৩১শে ডিসেম্বর ২০১৩ তারিখে সমাপ্ত বছরের জন্য ১৫তম বার্ষিক সাধারণ সভার অনুমোদনক্রমে, ১০% ক্যাশ এবং ১০% ফ্টক ডিভিডেন্ড ঘোষণা করছে।

কর্পোরেট পরিচালনায় সুশাসন

ব্র্যাক ব্যাংক কর্পোরেট সুশাসন পরিচালনায় সর্বদা উচ্চ মান রক্ষা করতে অধিক গুরুত্ব দিয়ে থাকে। পরিচালনা পর্ষদ ব্যাংকের শেয়ারহোল্ডারদের আস্থা অক্ষুণ্ণ এবং স্বার্থ রক্ষায় সকল দায়-দায়িত্ব সম্পর্কে সম্পূর্ণ সজাগ। এতদসংক্রান্ত বাংলাদেশ সিকুরিটিজ এন্ড একচেঞ্জ কমিশন কর্তৃক জারীকৃত কর্পোরেট সুশাসন-এর উপর প্রতিবেদন এতদসংগে সংযুক্ত করা হয়েছে।

পরিচালকবৃন্দের অবসর ও

পুনঃনির্বাচন

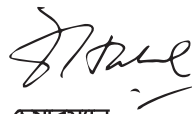
কোম্পানি আইন ১৯৯৪ এবং ব্যাংকের আর্টিকেল অব এসোসিয়েশন মোতাবেক নিম্নোক্ত পরিচালকদ্বয় ১৫তম বার্ষিক সাধারণ সভার মাধ্যমে অবসর গ্রহণ করবেন। তবে তারা আবার পুনঃনির্বাচিত ও পুনঃনিয়োগের যোগ্য:

- জনাব মুহাম্মদ এ (রুমী) আলী।
- জনাবা জাহিদা ইম্পাহানি

নিরীক্ষক নিয়োগ

আমাদের বর্তমান নিরীক্ষক হুদা ভাসী চৌধুরি এড কোং, ন্যাশনাল অফিস বিটিএমসি ভবন (৮ম লেভেল), ৭-৯ কারওয়ান বাজার, ঢাকা-১২১৫ এবং ২০১৪ সালের জন্য নিরীক্ষক হিসেবে পুনঃনিয়োগের যোগ্য হবেন। তাঁরা তাদের পুনঃনিয়োগের ইচ্ছা প্রকাশ করেছেন এবং পরিচালক পর্ষদ তাদেরকে ২০১৪ সালের জন্য নিরীক্ষক হিসেবে পুনঃনিয়োগের সুপারিশ করেছেন।

পরিশেষে, আমাদের উপর আস্থা রাখার জন্য আপনাদেরকে ধন্যবাদ জানাই। আপনাদের ক্রমাগত সহযোগিতাই আমাদের ক্রমবৃদ্ধি ও ব্যবসায়িক উন্নয়নের চালিকাশক্তি হিসেবে কাজ করেছে। আরও ধন্যবাদ জানাই ব্র্যাক ব্যাংকের সকল কর্মকর্তা-কর্মচারীদের, যাদের একাগ্রতা, প্রতিশ্রুতি ও কঠোর পরিশ্রম আমাদের সাফল্যের মূল শক্তি। আমার আন্তরিক কৃতজ্ঞতা ও ধন্যবাদ সকল শেয়ারহোল্ডার, গ্রাহক, সরকারি সংস্থাসমূহ ও রেগুলেটর এবং আমাদের সাথে সংশ্লিষ্ট সকলকে যারা আমাদের কার্য পরিচালনায় সহযোগিতার হাত বাড়িয়ে দিয়েছেন।



চেয়ারম্যান

Economic Impact Report

Global Economy

The global economy in 2013 stayed put between the poles of anticipation and uncertainty. While recovery was on course, specifically in a few advanced economies, the world economy is yet to make progress effectively – and is likely to follow suit next year as well. The International Monetary Fund's latest forecast puts global GDP growth at 3.6% in 2014, which is decent, but still below the potential growth of around 4%. In other words, the world could still generate considerably more jobs without fuelling inflationary pressure.

Most of the major central banks resorted to unprecedented policy actions, slashing their benchmark rates close to zero following the financial meltdown instigated in the year 2008. Growth remained elusive in economies like the US, UK and core part of Europe who are still struggling with their inflation target. US are heading recovery among developed nations. Higher than expected job growth and GDP growth of Q3 has led Federal Reserve to cut back quantitative easing by USD 10 Billion from January'14. The Frankfurt based-ECB delivered a surprise rate cut on November 7, reducing its main re-financing rate to 0.25 percent after euro-area inflation slowed to 0.7 percent, less than half the central bank's target level. The euro area's nascent economic recovery lost momentum in the third quarter as growth in Germany slowed and France's economy unexpectedly contracted. On the other hand, UK's projected growth would be supported by an upturn in gross fixed investments and exports.

As far as Japan's economy is concerned, recovery has been stimulated by the mix of aggressive monetary and fiscal policies known as "Abenomics". However, sustaining it will depend on meeting two major challenges. The first, reflected in the debate about increasing the consumption tax, is setting the right pace for fiscal consolidation: consolidating too slowly will compromise credibility, and moving too fast will kill growth. The second is implementing a credible set of structural reforms to transform what is now a cyclical recovery into sustained growth.

China and a growing number of emerging economies are coming off cyclical peaks. Their growths are projected to be below elevated levels seen in peak years. China is also rebalancing growth away from investment toward consumption. Tapering in US may also impact currencies in emerging markets in 2014.

Looking ahead as per IMF Global Economic Outlook, global activity is expected to strengthen moderately but the risks to the forecast remain to the downside. The impulse is projected to come from the advanced economies, where output is expected to expand at a pace of about 2 percent in 2014, about $\frac{3}{4}$ percentage points more than in 2013. Drivers of the projected uptick are a stronger U.S. economy, an appreciable reduction in fiscal tightening (except in Japan), and highly accommodative monetary conditions. Growth in the euro area will be held back by the very weak economies in the periphery. Emerging market and developing economies are projected to expand by about 5 percent in 2014, as fiscal policy is forecasted to stay broadly neutral and real interest rates to remain relatively low.

Bangladesh Economy

Bangladesh managed to sustain its economic growth in the fiscal year 2012-13, in spite of the sluggish growth in the advanced economies and internal strife. The GDP growth rate stood at 6.03% for the fiscal year 2012-2013, higher than the projected 5.7% stated in Asian Development Outlook. Net exports contributed significantly to the growth as imports were flat. The balance of payments showed a large surplus of \$5.1 billion in FY2013, boosting gross international reserves to \$15.1 billion. Point to point inflation remained within the target of 7.0% considering base year 2005-06. The foreign exchange reserve of the country increased to USD 18 billion due to substantial remittance inflows which had a stabilizing effect on exchange rates as well.

Keeping in mind the post-global recession environment, the monetary policy has been kept under cautionary observation taking into account inclusive growth, inflation and balance of payments. The overall budget deficit which was forecasted at BDT 46,024 crore for the fiscal year 2012-2013, was revised and eventually stood at BDT 43,937 crore (4.2% of GDP).

To strengthen the fiscal sector, various reforms have been undertaken to improve the banking sector in 2013. Bangladesh Bank has kept private banks under strict observation to ensure that loans are being disbursed in productive sectors. Loan classification and provision guidelines have been established to keep in line with global practices. To bring stability to the capital market a series of policy initiatives have been brought into effect including demutualization of the bourse and launching of surveillance software, making the market safer to invest in.

Goldman Sachs recently classified Bangladesh among the next eleven economies (NEE) of the 21st century, identified for having great opportunities for investment in foods and beverages, technology, textiles, leather tanning and real estate. In terms of the Legatum Prosperity Index, Bangladesh's ranking stood above that of India and Pakistan determined on the factors of wealth, economic growth, personal well-being and quality of life. Bangladesh is also in a favorable position in terms of attaining its Millennium Development Goals and becoming a middle income economy with its income poverty reduced by 50% and per capita income standing at USD 923.

GDP growth in FY2014 is projected at 5.8%, as exports and consumer and investment demand fall short of expectations and continued political uncertainty. The central bank is expected to adopt measures to contain inflation but also ensure adequate credit flows to maintain steady economic growth.

. The growing inflationary pressures over the past several months along with the prospects of wage pressures, possible supply - side disruptions and rising regional inflation imply that achieving the FY14 inflation target of 7% will be a challenge. Bangladesh bank aims to contain reserve money growth to 15.5% and broad money growth to 17.2% in December 2013. The space for private sector credit growth of 15.5% for December 2013 and 16.5% in June 2014 has been kept well in line with economic growth targets and higher than the average of 'emerging' Asian economies.

Call money rates have declined since their peaks in early 2012 when they were around 20%, and also fell in H2FY13 from around 10% in January 2013 to around 7% in June 2013 signaling further easing of liquidity pressures in the banking system. This is also reflected in below average loan to deposit ratios. At the retail level both deposit and lending rates fell in H2FY13 and since interest rate spreads have on average fallen – from 5.60% in June 2012 to 4.98% in May 2013.

In equity market, developed economy performed well as compared to emerging markets. Among the G7 economies, Japan is up the most following by US, Germany and France. S&P 500 has increased 29.11 %, Dow Jones has increased 25.75%, FTSE 1000 has increased 14.46%, Nikkei 225 Index has increased 55.64% and emerging market Index has fall 8.8% on YTD basis. While 2013 has been a banner year for many countries, the emerging market BRICs (Brazil, Russia, India, China) have had a rough go of it. India is the best performer of the BRICs with an YTD gain.

From January 2013 DSEX Index has been introduced as the benchmark Index of DSE. DSEX Index has gained around 1.70 % from January to December 2013 and turnover has increased around 54 billion taka from Dec 2012 to Dec 2013. Comparing with world markets, ultra loose monetary policy helped developed nation's capital markets to rise where emerging market stumbled a bit but it still has growth advantage.

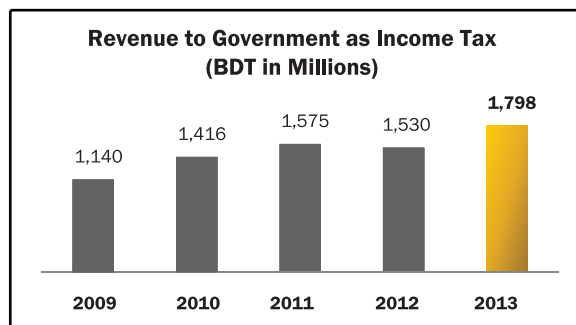
Money and Capital Markets

Bangladesh Bank has decided to cut repo rates and reserve requirement ratios fifty basis point in January 2013.

BRAC Bank Taking Part in the Game

BRAC Bank is a model corporate body. It creates value through provision of financial services in line with the mission of “Building a profitable and socially responsible financial institution focused on Markets and Business with growth potential, thereby assisting BRAC and stake holders to build a just, enlightened, healthy, democratic and poverty free Bangladesh”.

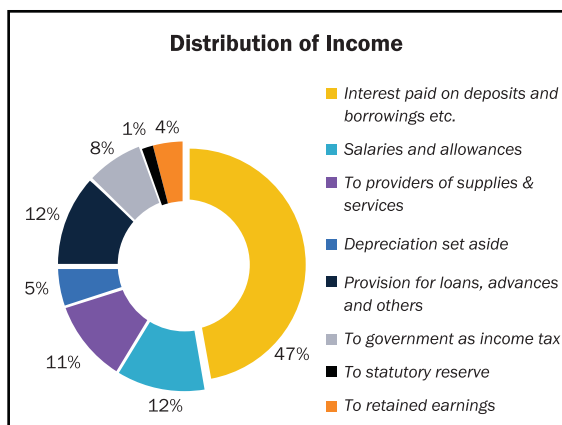
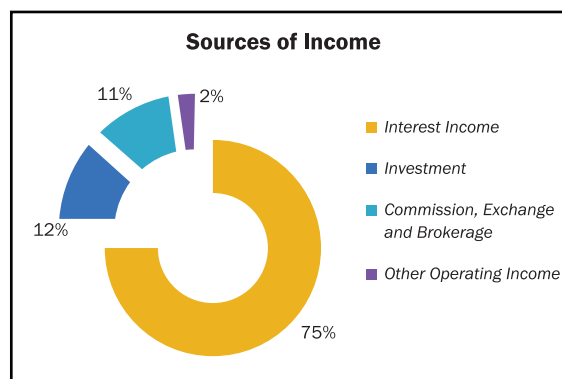
The bank owns systems, processes and procedures in place to check, verify and validate the value creation process. It conducts its business in a transparent and ethical manner in line with the best industry practices while being fair to every stakeholder. It adheres to good corporate governance principles as set out in the Securities and Exchange Commission’s notification dated February 20, 2006 and BRPD Circular No. 16 dated July 24, 2003.



Though profit maximization is not the prime objective of the bank, it is essential to earn profits to fulfill the aspirations of different stakeholders. The bank is mindful of the need to add value on a sustainable basis to these stakeholders in this value creation process. It has not been a case of building financial value and enhancing the bottom line at any cost for the bank, but participating in a process of creating value through fair & ethical means.

Sources & Distribution of Income
For the year ended December 31, 2013

| | | BDT in Million | |
|---|--|----------------|---------------|
| Particulars | | 2013 | 2012 |
| Sources of Income | | 23,503 | 21,090 |
| Interest Income | | 17,712 | 16,714 |
| Investment Income | | 2,672 | 1,531 |
| Commission, exchange and brokerage | | 2,609 | 2,525 |
| Other operating income | | 510 | 320 |
| Distribution of Income | | 23,503 | 21,090 |
| Interest paid on deposits and borrowings etc. | | 11,043 | 10,195 |
| Salaries and allowances | | 2,815 | 2,532 |
| To providers of supplies & services | | 2,594 | 2,163 |
| Depreciation set aside | | 1,127 | 1,055 |
| Provision for loans, advances and others | | 2,900 | 3,157 |
| To government as income tax | | 1,778 | 1,448 |
| To statutory reserve | | 348 | 398 |
| To retained earnings | | 899 | 143 |



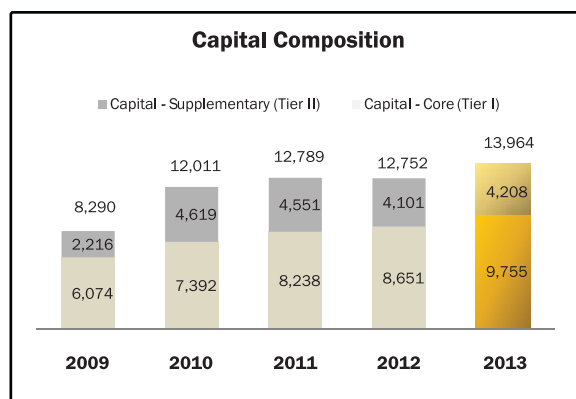
Being one of the members of GABV (Global Alliance of Sustainable Banking), BRAC Bank along with thirteen of the world's leading sustainable banks, is engaged in building a viable future for the financial industry. In line with the theme of developing the human Capital Action Track, the bank is also involved in creating an alternative banking and finance system, where social return is considered as important as financial return.

The bank's profitability in 2013 was a result of better management of funds, improved asset quality and efficiency at all levels.

The external auditors continue to issue unqualified audit opinions on the Financial Statements of the bank. These awards, accolades and ratings have been presented in appreciation of the sustainable performance maintained by the bank while conducting its business in a transparent, ethical and fair manner.

Maintaining Capital Adequacy

Capital Adequacy Ratio (CAR) is the measure of the financial strength and sustainability of a bank. CAR determines the capacity of the bank in terms of meeting the time liabilities and other risk such as credit risk, market risk etc. Bank's capital is the cushion for potential future losses that protects the bank's depositors and other lenders. In this regard, Bangladesh Bank uses CAR as a mechanism to protect depositors and enhance confidence in the banking system.



Day to day business of a bank leads to expansion of the balance sheet with the acquisition of assets & liabilities. To supplement the growth in assets, the bank incurs liabilities to providers of capital, depositors and lending institutions. The CAR recognizes different risk profiles attached to these assets in determining the capital required to "cushion" any potential losses as the composition of the balance sheet of a bank is different from other organizations where a major portion of assets and liabilities comprise of advances & deposits respectively.

Vulnerability of the bank's financial stability would affect the systematic importance of banks to the economy. Regulatory capital requirements are therefore necessary to limit operations of banks to prevent overtrading. At the same time, banks can leverage their growth to optimize the return on assets. Therefore maintaining a healthy CAR would ensure a stable and sound banking industry, which would undoubtedly contribute to the growth of the economy.

Dividend Policy

The bank has continued to pay substantial dividends to its shareholders while plowing back sufficient profit to supply the augmented need for funds and capital adequacy requirements. The bank is careful of the need to strike a reasonable balance between these aspects in maintaining sustainable growth, commensurate with the risks undertaken by its investors.

This prudent dividend policy has contributed in building the bank's shareholders' funds up to the present level and is considered as one of the major funding sources of the bank's rapid expansion.

Maintaining a Satisfactory Liquid Assets Ratio

The bank maintains liquid assets to carry out the day-to-day operations and fulfill the statutory requirements imposed by the regulator. The assets & liabilities committee of the bank (ALCO) monitors the situation carefully and provides direction to maintain an optimum trade-off between liquidity and profitability.

It is the policy of the bank to carry a positive mismatch primarily in the 1-30 days category in interest earning assets and interest bearing liabilities. The bank maintained optimum amount of liquidity during the year. If and when the liquidity fell below the internally set limits which are always above the statutory limits, the bank took effective and prompt actions to ensure that it's augmented up to the regulatory limit. These measures have resulted in meeting the funding requirements of all its stakeholders in a timely and efficient manner.

Convenience to Customers

The computer networking system of the bank is connected in real time and the customers have the flexibility of operating from any location of their choices irrespective of where the branch is or where the account is opened. The bank's different delivery channels (ATM, CDM, POS etc.) provide maximum customer convenience. The stretched banking facility, large ATM and POS network, Cash Deposit Machines, SMS and internet banking facilities are extensively used to empower our customers with the latest technological advancement.

Managing Risks

An integrated risk management approach is in place centrally to address all risk related functions including credit, market and operational risks. The assets & 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 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 need of depositors and borrowings and earnings enhancement opportunities.

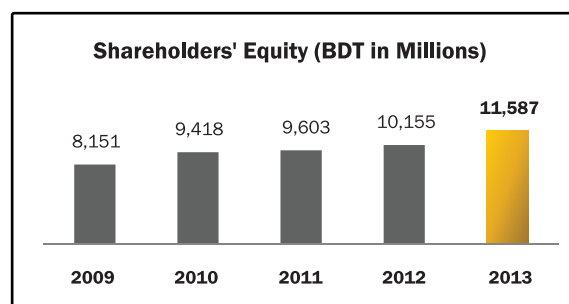
These objectives are accomplished by setting in place a planning, control and reporting process, the key objective of which is the coordinated management of the bank's assets & liabilities, current banking laws and regulations. As well as prudent and generally acceptable banking practices.

The risk management of the bank covers six (6) Core Risk areas of banking i.e. a) Credit Risk Management b) Foreign Exchange Risk Management c) Asset Liability Management d) Prevention of Money Laundering, e) Internal Control & Compliance and f) IT Policy as per BRPD Circular No. 17 of October 7, 2003.

Optimum Utilization of Resources

In its endeavor, the bank is mindful of mobilizing the scarce resources such as capital, deposits and borrowings at attractive terms. The bank is vigilant in mobilizing the resources in the most cost efficient manner and is cognizant of the need for prudent investment of funds for the improvement of profitability. Hence, it carefully analyses the lending propositions and makes sure that the follow up action is in place before disbursement of the funds.

The bank's shareholders' equity stood at BDT 11,587 million as at December 31, 2013 mainly due to the initiatives taken, such as prudent dividend policy, tax planning and controlled capital expenditure over the years.



Value Added Statement for the year ended December 31, 2013

Value added is the wealth created by BRAC Bank through its different banking operations.

The value added statement shows the total wealth created how it was distributed to meet certain obligations and reward those responsible for its creation and the portion retained for the continued operation and expansion of BRAC Bank.

| Value Added Statement | | | |
|---|--------------|--------------|--|
| As on December 31, 2013 | | | |
| BDT in Million | | | |
| Particulars | 2013 | 2012 | |
| Income from banking services | 23,503 | 21,090 | |
| Less: Cost of services & supplies | 13,637 | 12,359 | |
| | 9,867 | 8,732 | |
| Less: Loan loss provision & other provision | 2,900 | 3,157 | |
| Total value added | 6,967 | 5,574 | |
| Distribution of added value | | | |
| As salaries & allowance | 2,815 | 2,532 | |
| To government as income tax | 1,778 | 1,448 | |
| To statutory reserve | 348 | 398 | |
| | 4,941 | 4,377 | |
| Retained earnings | 899 | 143 | |
| Depreciation | 1,127 | 1,055 | |
| To expansion & growth | 2,026 | 1,197 | |
| Total Distribution of Added Value | 6,967 | 5,574 | |

| Distribution of Added Value | 2013 | 2012 | 2011 | 2010 |
|-----------------------------|-------|-------|-------|-------|
| As salaries & allowance | 2,815 | 2,532 | 2,360 | 2,004 |
| To government as income tax | 1,778 | 1,448 | 1,305 | 1,251 |
| To statutory reserve | 348 | 398 | 616 | 583 |
| To expansion & growth | 2,026 | 1,197 | 1,879 | 1,676 |

Maturity Analysis

The assets liabilities management committee of the bank closely monitors the maturities of assets & liabilities of the bank.

| BRAC Bank Limited | | | | | | |
|--|----------------|----------------|---------------|---------------|---------------|----------------|
| Assets & Liabilities Maturity Analysis | | | | | | |
| As on December 31, 2012 | | | | | | |
| | 0 - 1 Month | 1 - 3 Months | 3 - 12 Months | 1 - 5 Years | Above 5 Years | Total |
| Assets | | | | | | |
| Interest Earning Assets | 28,179 | 21,760 | 39,071 | 36,940 | 31,061 | 157,011 |
| Non-Interest Earning Assets | 580 | 1,399 | 2,865 | 5,841 | 4,206 | 14,891 |
| Total Assets | 28,759 | 23,159 | 41,936 | 42,781 | 35,267 | 171,902 |
| Liabilities | | | | | | |
| Interest Bearing Liabilities | 29,198 | 29,737 | 36,154 | 27,707 | 16,714 | 139,511 |
| Non-Interest Bearing Liabilities | 1,986 | 1,586 | 3,508 | 6,229 | 7,493 | 20,803 |
| Total Liabilities | 31,184 | 31,324 | 39,663 | 33,936 | 24,209 | 160,314 |
| Maturity Gap | (2,425) | (8,164) | 2,773 | 8,845 | 11,059 | 11,587 |

Market Value Added (MVA)

Market Value Added (MVA) is the difference between the current market value of a company and the capital contributed by the investors. Higher MVA is better for the organization. A high MVA indicates that the company has created substantial wealth for the shareholders. A negative MVA means that the value of management's actions and investments are less than the value of the capital contributed to the company by the capital market. Market Value Added represents the confidence that the market places on the future stream of EVAs.

| Market Value Added Statement | | | | | |
|------------------------------|--------------|--------------|--------------|---------------|--------------|
| As on December 31, 2013 | | | | | |
| BDT in Million | | | | | |
| Particulars | 2013 | 2012 | 2011 | 2010 | 2009 |
| Market Capitalization | 14,452 | 13,415 | 14,680 | 22,921 | 14,167 |
| Less: Total Invested Capital | 11,587 | 10,155 | 9,253 | 8,912 | 7,651 |
| Market Value Added | 2,864 | 3,260 | 5,428 | 14,009 | 6,516 |

Our Performance

Financial Position

Amount in BDT (Million)

| Particulars | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|----------------|----------------|----------------|----------------|---------------|
| Cash & bank balances | 32,983 | 28,902 | 15,190 | 13,474 | 12,213 |
| Investments | 21,299 | 25,373 | 14,199 | 12,856 | 10,375 |
| Money at call and short notice | - | - | 480 | - | 1,300 |
| Loans & advances | 102,729 | 103,624 | 90,822 | 82,461 | 64,151 |
| Fixed assets | 2,443 | 2,591 | 2,349 | 1,749 | 1,638 |
| Other assets | 12,448 | 13,187 | 10,161 | 6,757 | 5,450 |
| Total Assets | 171,902 | 173,677 | 133,201 | 117,298 | 95,127 |
| Borrowings | 8,917 | 4,566 | 1,112 | 3,700 | 2,450 |
| Money at call and short notice | 2,848 | 1,990 | | 550 | - |
| Subordinated debt | 3,000 | 3,000 | 3,000 | 3,000 | - |
| Total Deposits | 124,746 | 134,646 | 103,726 | 88,158 | 75,220 |
| Other liabilities | 20,803 | 19,320 | 15,761 | 12,472 | 9,307 |
| Equity | 11,587 | 10,155 | 9,603 | 9,418 | 8,151 |
| Total Liability & Shareholders equity | 171,902 | 173,677 | 133,201 | 117,298 | 95,127 |
| Credit deposit ratio | 82% | 77% | 88% | 94% | 85% |
| Net assets value per share | 26.14 | 26.34 | 28.80 | 33.29 | 37.16 |
| Total contingent liabilities & commitments | 28,225 | 18,147 | 22,394 | 23,151 | 5,989 |

Profitability

Amount in BDT (Million)

| Particulars | 2013 | 2012 | 2011 | 2010 | 2009 |
|-------------------------------------|--------|--------|--------|--------|--------|
| Operating Income | 12,461 | 10,895 | 10,135 | 9,528 | 7,264 |
| Operating Expenses | 6,536 | 5,750 | 5,165 | 4,571 | 3,547 |
| Operating Profit (before provision) | 5,925 | 5,145 | 4,970 | 4,956 | 3,718 |
| Provision for loans and others | 2,900 | 3,157 | 1,963 | 2,035 | 1,574 |
| Profit before tax | 3,025 | 1,988 | 3,007 | 2,922 | 2,144 |
| Provision for tax | 1,778 | 1,448 | 1,305 | 1,251 | 840 |
| Profit after tax | 1,246 | 540 | 1,702 | 1,670 | 1,304 |
| Return on investment (ROI) (%) | 1.51% | 3.44% | 11.41% | 9.00% | 12.30% |
| Return on assets (ROA) (%) | 0.72% | 0.35% | 1.36% | 1.55% | 1.56% |
| Return on equity (ROE) (%) | 11.46% | 5.47% | 17.90% | 18.95% | 19.19% |
| Cost of deposit (%) | 7.52% | 7.89% | 7.25% | 6.51% | 8.49% |
| Weighted average earning per share | 2.81 | 1.14 | 4.29 | 5.05 | 3.94 |
| Net income per share | 2.81 | 1.14 | 4.29 | 5.05 | 3.94 |

* Weighted average earning per share & Net income per share is stated in BDT actual.

Equity measures

| Particulars | Amount in BDT (Million) | | | | |
|-----------------------------------|-------------------------|--------|--------|--------|--------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Authorized capital | 12,000 | 12,000 | 12,000 | 4,800 | 4,800 |
| Paid-up capital | 4,433 | 3,855 | 3,212 | 2,677 | 2,059 |
| Capital - Core (Tier I) | 9,755 | 8,651 | 8,238 | 7,392 | 6,074 |
| Capital - Supplementary (Tier II) | 4,208 | 4,101 | 4,551 | 4,619 | 2,216 |
| Total Capital | 13,964 | 12,752 | 12,789 | 12,011 | 8,290 |
| Capital surplus/ (deficit) | 2,411 | 1,602 | 1,760 | 2,060 | 1,632 |
| Share premium | 1,406 | 1,406 | 1,406 | 1,406 | 1,406 |
| Statutory reserve | 3,282 | 2,934 | 2,536 | 1,921 | 1,337 |
| Retained earnings | 1,722 | 1,402 | 1,935 | 1,693 | 1,272 |
| Capital adequacy ratio (%) | 12.09% | 11.44% | 11.60% | 12.07% | 12.45% |

Management Efficiency

| Particulars | Amount in BDT (Million) | | | | |
|------------------------------------|-------------------------|--------|--------|--------|--------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Net Revenue per Employee | 1.88 | 1.47 | 1.53 | 1.33 | 1.23 |
| Operating Profit per Employee | 0.89 | 0.70 | 0.75 | 0.69 | 0.63 |
| Cost to income ratio (%) | 52.45% | 52.77% | 50.96% | 47.98% | 48.82% |
| Net Profit before tax per employee | 0.46 | 0.27 | 0.45 | 0.41 | 0.36 |

Asset Quality

| Particulars | Amount in BDT (Million) | | | | |
|--|-------------------------|---------|--------|--------|--------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Total loans & advances | 102,729 | 103,624 | 90,822 | 82,461 | 64,151 |
| Classified loans | 7,601 | 7,637 | 5,240 | 4,930 | 3,878 |
| Classified loans to total loans and advances | 7.40% | 7.37% | 5.77% | 5.98% | 6.04% |
| Provision for Unclassified loan | 1,103 | 992 | 1,414 | 1,342 | 866 |
| Provision for Classified loan | 5,886 | 5,517 | 3,536 | 2,996 | 2,587 |
| Provision Adequacy Ratio | 1.22 | 1.02 | 1.17 | 1.12 | 1.28 |

Share information

| | | | | | |
|---------------------------------|--------|--------|--------|--------|--------|
| Market Price per share (DSE) | 32.60 | 34.80 | 45.70 | 85.63 | 68.75 |
| Dividend | 20.00% | 15.00% | 20.00% | 30.00% | 30.00% |
| Bonus | 10.00% | 15.00% | 20.00% | 20.00% | 30.00% |
| Cash | 10.00% | 0.00% | 0.00% | 10.00% | 0.00% |
| Net Asset Value per share (NAV) | 26.14 | 26.34 | 28.80 | 33.29 | 37.16 |

Distribution network

| | | | | | |
|------------------------------|-------|-------|-------|-------|-------|
| Number of branches | 88 | 86 | 81 | 79 | 70 |
| Human Capital (nos) | 6,624 | 7,403 | 6,619 | 7,151 | 5,907 |
| Number of ATM | 333 | 319 | 293 | 230 | 177 |
| Number of SME service center | 69 | 69 | 70 | 68 | 60 |
| Number of Unit office | 315 | 309 | 315 | 344 | 369 |

Disclosures on Risk Based Capital (Basel II)

Executive Summary

The Basel II disclosures presented in this document are related to BRAC Bank Limited (BBL) for the year ended December 31, 2013. These disclosures have been made in accordance with the Bangladesh Bank BRPD circular # 35 dated December 29, 2010 titled as the “Guidelines on Risk Based Capital Adequacy” for Banks in line with Basel II. The Basel II framework consists of the following three-mutually reinforcing pillars:

- a. **Pillar I:** This prescribes minimum capital requirements for Credit Risk, Market Risk and Operational Risk.
- b. **Pillar II:** This prescribes the Supervisory Review Process through which overall capital adequacy in relation to the risk profile is to be assessed. Internal Capital Adequacy Assessment Process (ICAAP) is an integral part of it. Additionally, Stress Testing provides a test of the bank's resilience to adversities.
- c. **Pillar III:** This depicts Market Discipline and comprises a set of disclosures on the capital adequacy and risk management framework of the Bank.

These disclosures are intended for the market participants to assess key information about the BBL's exposure to various risks and to provide a consistent and understandable disclosure framework for easy comparison among other banks operating in the market.

1. Scope of Application

1.1 Qualitative Disclosure

BRAC Bank Limited has associated companies namely BRAC Asset Management Company Limited and BRAC Impact Ventures Limited and the five subsidiaries that are within the scope of application and inclusive of this disclosure. The subsidiaries are BRAC EPL Investments Limited, BRAC EPL Stock Brokerage Limited, b-Kash Limited, BRAC SAAJAN Exchange Limited, UK and BRAC IT Services Ltd.

According to BRPD Circular-12, 24, 35 (dated March 29, 2010, August 03, 2010 & December 29, 2010 respectively),

investments in subsidiaries have been consolidated for the purpose of assessing capital adequacy, the ratio of which is calculated both on Consolidated and Solo basis. The consolidated financial statements have been prepared in accordance with Bangladesh Accounting Standard 27: Consolidated financial statements and accounting for investments in subsidiaries.

1.2 Quantitative Disclosure

The assets, liabilities, revenue and expenses of the subsidiaries are combined with the BBL's consolidated audited financial statement as of year ended December 31, 2013 which ensures the elimination of inter-company transactions, balances and intra-group gains on transactions between group companies.

2. Capital Structure

2.1 Qualitative Disclosure

As per the guidelines of Bangladesh Bank, Tier-1 Capital of BBL consists of (i) Fully Paid-up Capital, (ii) Non-repayable Share Premium Account, (iii) Statutory Reserve, (iv) Retained Earnings and (v) Minority Interest in Subsidiaries.

Tier-2 Capital consists of (i) General Provision against unclassified loans of both on-shore and off-shore banking unit and off-balance sheet exposure, 50% of Asset revaluation reserve, 50% of Revaluation gain/loss on investment (HFT), 10% of Revaluation reserve for equity instruments. BBL also issued subordinated bond as approved by Bangladesh Bank.

2.2 Quantitative Disclosure

Out of the total eligible capital base of the bank, approximately 70% is been covered by Tier 1 Core Capital. Whereby, in Tier 1 Capital, 45.44% is Paid-up Capital with 33.64% is Statutory Reserve, 14.41% is Share Premium with remaining 6.51% being Retained Earnings.

And in the Tier 2 capital 34.12% is General Provision with 8.85% being Asset Revaluation Reserve and 67.03% is Perpetual Subordinated Debt.

| Particulars | Consolidated | SOLO |
|--|--------------------------|--------------------------|
| Tier - I (Core Capital) | | |
| Fully paid up capital/ Capital deposited with BB | 4,433,045,760 | 4,433,045,760.00 |
| Statutory reserve | 3,281,594,097.21 | 3,281,594,097.21 |
| Non-repayable share premium account | 2,133,446,271.89 | 1,406,000,000.00 |
| General reserve | - | - |
| Retained Earnings | 2,407,550,888.99 | 1,722,111,670.12 |
| Minority interest in subsidiaries | 852,981,118.81 | - |
| Share money deposit | 23,715,983.12 | - |
| Non-cumulative irredeemable preference shares | - | - |
| Dividend equalization accounts | - | - |
| Sub-total | 13,132,334,120.02 | 10,842,751,527.33 |
| Deductible from Tier - I (Core Capital) | | |
| Book value of Goodwill | 1,472,292,272.40 | - |
| Shortfall in provision required against classified assets irrespective of any relaxation allowed | - | - |
| Deficit on account of revaluation of investment in AFS category | - | - |
| Any increase in equity capital resulting from a securitization transaction | - | - |
| Deferred tax income arising from "Loan loss provision" | 1,087,432,941.00 | 1,087,432,941.00 |
| Investment in subsidiary | - | - |
| Sub-total | 2,559,725,213.40 | 1,087,432,941.00 |
| Total Eligible Tier - I Capital | 10,572,608,906.62 | 9,755,318,586.33 |
| Tier - II (Supplementary Capital) | | |
| General Provision | 1,579,694,969.00 | 1,435,877,720.00 |
| Asset revaluation reserve | 372,350,971.31 | 372,350,971.31 |
| Preference Share | - | - |
| Perpetual Subordinated debt | 2,400,000,000.00 | 2,400,000,000.00 |
| Sub-total | 4,352,045,940.31 | 4,208,228,691.31 |
| Total Eligible Tier - II Capital | 4,352,045,940.31 | 4,208,228,691.31 |
| Tier-III (Eligible for Market Risk only) | | |
| Short term Subordinated Debt | - | - |
| Total Supplementary Capital | 4,352,045,940.31 | 4,208,228,691.31 |
| Total Capital | 14,924,654,846.92 | 13,963,547,277.63 |

3. Capital Adequacy

3.1 Qualitative Disclosure

BRAC Bank Limited with its focused strategy on risk management has always been consistent in maintaining capital adequacy ratio above the regulatory requirements. BBL has been successfully managing the incremental growth of the Risk Weighted Assets by ensuring diversification of the portfolio in SME, retail and corporate segments.

However, RWA is also managed by taking collaterals against its loans. BBL strives to extend its relationship with corporate clients having good credit rating. While computing the capital adequacy, BBL has applied Standardized Approach for Credit Risk and Market Risk and Basic Indicator Approach for Operational Risk.

3.2 Quantitative Disclosure

(Amount in Taka)

| Description | Consolidated | Solo |
|---|-----------------------|-----------------------|
| Capital requirement for Credit Risk (10% of RWA) | 10,854,951,517 | 9,417,066,105 |
| Capital requirement for Market Risk | 374,996,756 | 368,045,678 |
| Capital requirement for Operational Risk | 1,940,759,637 | 1,767,294,589 |
| Total Capital Required | 13,170,707,911 | 11,552,406,372 |
| Capital Adequacy Ratio | | |
| On core Capital (Against a standard of minimum 5%) | 8.03% | 8.44% |
| On actual Capital (Against a standard of minimum 10%) | 11.33% | 12.09% |

4. Credit Risk

4.1 Qualitative Disclosure

Credit Risk: Credit risk is the risk of financial losses resulting from the failure by a client or counterparty to meet its contractual obligations to the Bank. Credit risk arises from the Bank's dealings with or lending to corporate, individuals, and other banks or financial institutions.

Corporate Credit Policy: BRAC Bank Limited is managing its Credit Risk through a Board directed and approved Corporate Credit Policy in line with the Bangladesh Bank Core Risk Management Guidelines, which outlined robust processes and procedures to ensure the quality of its assets portfolio. The Credit Policy also contains the general principles to govern the implementation of detailed lending procedures and risk grading systems of the borrowers. And, as such, it specifically addresses the areas of (a) Loan Originating; (b) Credit Approval; (c) Credit Administration; (d) Risk Management; and (e) Monitoring, Collection and Recovery activities.

Credit Risk Management: At BBL, a holistic approach towards risk management is taken, where socioeconomic and environmental impacts of the decisions made are emphasized upon. This particular practice is the hallmark of BRAC Bank's credit risk management objective. In the last couple of years, it has been focusing on adopting environmental risk management programs through the assistance, guidance, and/or requirements provided by IFC/ Shore Cap as well as regulatory guidelines. Bringing in social and environmental risk assessment into the credit approval process contributes to the wellbeing of the society. Moreover, as the lion share of the total revenue of BRAC Bank Limited comes from credit operations, particularly through SME Lending, so the future prospect of the Bank depends on quality of asset portfolio. Thus efficient management of the Loans and Advances is of paramount importance for the bank. To support our SME borrowers' businesses which are geographically spread-out all over the country including the rural areas, CRM centers have been established across the country. These centers perform an independent pre-approval visit to ensure credit-worthiness for the proposal to consider, hence covering 100% of the SME underwriting throughout the country.

There are differentiated and dedicated credit models for SME Banking, Retail Banking and Wholesales Banking working under CRM to ensure the quality asset growth of the bank while implementing the risk mitigation strategies for each portfolio.

There is a distributed collection model that consistently follows up with the borrowers for the timely repayments. A wing named 'Special Asset Management (SAM)' deals with nonperforming assets through amicable settlement, execution of decrees and arrangements of auctions to sell the mortgaged properties. SAM is also engaged to monitor Early Alert Accounts. At BBL, we are very keen to identify, measure, monitor and control credit risk and ensure that adequate capital against these risks are maintained, at the same time they are satisfactorily compensated against the risk of potential losses.

Definition of Past due and Impaired

Credit: Bank's provision for loans and advances is created based on the period of arrears by following Bangladesh Bank BRPD Circulars No. 16 of December 06, 1998, 09 of May 14, 2001, 09 and 10 of August 20, 2005, 05 of June 05, 2006, 8 of August 07, 2007, 10 of September 18, 2007, 05 of April 29, 2008, 32 of October 12, 2010, 14 of September 23, 2012 and 19 of December 27, 2012 respectively. This is also reviewed by the management as and when requisite.

(Amount in Taka)

| Description | Consolidated | Solo |
|---------------------------------------|-----------------------|----------------------|
| Capital charge for Credit Risk | 10,854,951,517 | 9,417,066,105 |
| On- Balance sheet | 9,988,120,014 | 8,550,234,602 |
| Off- Balance sheet | 866,831,503 | 866,831,503 |

4.2. Quantitative Disclosure

a. Total Gross Credit Risk Exposure Broken down by Major Types of Credit Exposure

(Amount in Taka)

| | |
|-------------------------------|------------------------|
| Overdrafts | 5,265,976,690 |
| Demand Loans | 19,980,869,130 |
| Term Loans | 26,178,759,360 |
| Lease Receivables | 223,768,725 |
| Small and Medium Enterprise | 46,844,440,467 |
| Credit Card | 2,791,257,311 |
| Staff Loans | 613,281,824 |
| Sub Total | 101,898,353,507 |
| Bill Purchased and Discounted | 830,567,343 |
| Total | 102,728,920,850 |

b. Geographical Distribution, Broken down in Significant Areas by Major Types of Credit Exposures

(Amount in Taka)

| | |
|---------------------|------------------------|
| Dhaka Division | 70,054,885,255 |
| Chittagong Division | 18,274,580,039 |
| Khulna Division | 3,863,863,927 |
| Sylhet Division | 1,801,844,967 |
| Barisal Division | 1,966,408,083 |
| Rajshahi Division | 5,035,687,584 |
| Rangpur Division | 1,731,650,996 |
| Total | 102,728,920,850 |

c. Industry or Counterparty Type Distribution of Exposure Broken down by Major Types of Credit Exposure

(Amount in Taka)

| | |
|---|------------------------|
| Government | - |
| Private: | |
| Agriculture, Fishing, forestry and dairy farm | 897,288,489 |
| Industry (Jute, Textile, Garments, Chemical, Cement etc.) | 7,866,513,685 |
| Working Capital Financing | 20,042,115,573 |
| Export Credit | 29,956,033 |
| Commercial Credit | 48,146,272,596 |
| Small and Cottage industries | 1,945,362,215 |
| Miscellaneous | 23,801,412,260 |
| Total | 102,728,920,850 |

d. Residual Contractual Maturity Breakdown of the Whole Portfolio, Broken down by Major Types of Credit Exposure

(Amount in Taka)

| | |
|-------------------------------|------------------------|
| Repayable on Demand | 7,364,603,001 |
| More than 1 month to 3 months | 16,040,899,272 |
| More than 3 months to 1 year | 32,432,486,483 |
| More than 1 year to 5 years | 30,987,683,334 |
| More than 5 years | 15,903,248,760 |
| Total | 102,728,920,850 |

e. By Major Industry or Counterparty Type. Amount of impaired loans and past due loans with provisions

(Amount in Taka)

| Status | Outstanding Loans & Advances | Base for Provision | % of required provision | Required Provision |
|--|------------------------------|--------------------|-------------------------|--------------------|
| Unclassified (Standard and Special Mention Account (SMA)) | | | | |
| All unclassified loans (except SME financing, Consumer financing, BHs/ MBs/ SDs, Housing Finance and loans for professional) | 35,004,246,782 | 35,004,246,782 | 1% | 350,042,468 |
| SME Financing | 41,567,687,757 | 41,567,687,757 | 0.25% | 103,919,219 |
| Loans to BHs/MBs/SDs against shares etc | 1,697,874,262 | 1,697,874,262 | 2% | 33,957,485 |

(Amount in Taka)

| Status | Outstanding Loans & Advances | Base for Provision | % of required provision | Required Provision |
|--|------------------------------|--------------------|-------------------------|----------------------|
| Housing Finance and Loans for Professional | 7,239,503,287 | 7,239,503,287 | 2% | 144,790,066 |
| Consumer Finance | 8,753,388,170 | 8,753,388,170 | 5% | 437,669,409 |
| Short Term Agricultural & Micro Credit | 252,240,191 | 252,240,191 | 5% | 12,612,010 |
| Sub Total | | | | 1,082,990,656 |
| Classified - Specific Provision | | | | |
| Substandard | 1,982,449,704 | 1,719,468,247 | 20% | 343,893,649 |
| Doubtful | 1,455,651,823 | 1,251,505,737 | 50% | 625,752,869 |
| Bad/ Loss | 4,162,597,050 | 3,675,985,192 | 100% | 3,675,985,192 |
| Sub Total | | | | 4,645,631,709 |
| Required Provision for Loans and Advances | 5,728,622,366 | | | |
| Total Provision Maintained | 6,988,440,905 | | | |
| Excess/ (Short) provision at December 31, 2012 | 1,259,818,539 | | | |

f. Non Performing Assets (NPAs)

| | |
|--|---------------|
| Gross Non Performing Assets (NPAs) | 7,600,698,577 |
| NPAs to Outstanding Loans and Advances | 7.4% |

Write off of Loans & Advances

| | |
|--------------------------------------|---------------|
| Balance at the beginning of the year | 3,953,326,089 |
| Add: Write off during the year | 2,695,588,743 |
| | 6,648,914,832 |
| Less: Recovery of Write off loans | 124,460,250 |
| Balance at the end of the year | 6,524,454,582 |

5. Equities: Disclosure for Banking Book Positions

5.1 Qualitative Disclosure

All investment securities including acquisition charges associated with the investment are initially recognized at cost. Premiums are amortized and discount accreted, using the effective yield method and are taken to discount income. The valuation methods of Marking to Market for investment used are i. Held to Maturity (HTM) and by definition the investments which have “Fixed or determinable” payments and fixed maturity that the group has the positive intent and ability to hold to maturity

ii. Held for Trading (HFT) is a method where investments are acquired principally for the purpose of selling or repurchasing or in short trading or if designated as such by the management. iii. Revaluation: According to DOS Circular no.-05, dated 26th May 2008, 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.

5.2 Quantitative Disclosure

(Amount in Taka)

| Unquoted Shares | |
|--|-----------------|
| Particular | Cost of holding |
| Industrial and Infrastructure Development Finance Co. Ltd. | 29,683,820 |
| Central Depository Bangladesh Ltd. | 6,277,770 |
| BRAC EPL Investments Ltd. | 752,715,794 |
| BRAC EPSL Stock Brokerage Ltd. | 1,344,147,500 |
| B-Kash Ltd. | 168,921,800 |
| BRAC Asset Management Company Ltd. | 12,500,000 |
| BRAC Saajan Exchange Limited | 59,388,531 |
| Bangladesh Rating Agency Limited | 12,497,600 |
| BRAC IT Services (biTs) Limited | 31,224,000 |
| BRAC Impact Ventures Limited | 4,800,000 |
| Preference shares | |
| Summit Purbanchal & Uttaranchal Power Co Ltd | 143,115,200 |

As on the reporting date i.e. December 31, 2013 BRAC Bank has a balance of unquoted investment as above with **BDT 143,115,200** as Preference shares.

(Amount in Taka)

| Quoted Shares | | | |
|-----------------|-----------------|---------------|-----------------------|
| Particular | Cost of holding | Market Value | Unrealized Gain/ Loss |
| Ordinary shares | 1,311,926,654 | 1,086,675,178 | (225,251,476) |

On the other hand, an amount of **BDT (225,251,476)** stood as Unrealized Gain/Loss as on reporting date December 31, 2013.

(Amount in Taka)

| | | At 10% of Market Value |
|----------------------|---------------|------------------------|
| General Market Risk | 1,086,675,178 | 108,667,518 |
| Specific Risk | 1,086,675,178 | 108,667,518 |
| Total capital charge | | 217,335,036 |

Against quoted equity investment amounting to **BDT 1,086,675,178**, capital charge of equity for specific and general market risk is **217,335,036** at 10% Risk Weight.

6. Interest Rate Risk in the Banking Book (IRRBB)

6.1 Qualitative Disclosure

a. Interest Rate Risk in the Banking Book (IRRBB)

It is the risk related to interest income arising from a mismatch between the duration of assets and liabilities that arises in the normal course of business activities. Changes in interest rates affect the underlying value of the bank's assets, liabilities, and off-balance-sheet (OBS) instruments because the present value of future cash flows (and in some cases, the cash flows themselves) change when interest rates change.

b. Approach of Assessing IRRB

In BRAC Bank Limited, the Asset & Liability Management (ALM) unit under the supervision of Asset and Liability Committee (ALCO) is responsible for managing market risk arising from BRAC Bank's banking book activities.

Our interest rate risk management involves the application of four basic elements in the management of assets, liabilities, and OBS instruments. These are (a) appropriate senior management oversight; (b) adequate risk management policies and procedures, (c) appropriate risk measurement, monitoring, and control functions; and d) comprehensive internal controls.

c. Techniques of Addressing IRRB

Following techniques for managing the IRRB in BRAC Bank Limited are applied:

i. Re-pricing Schedules: It is the simplest techniques for measuring a bank's interest rate risk exposure and that is generating a maturity/re-pricing schedule that distributes interest-sensitive assets, liabilities, and OBS positions into a certain number of predefined time bands according to their maturity (if fixed-rate) or time remaining to their next re-pricing (if floating-rate). Those assets and liabilities lacking definitive re-pricing intervals (e.g. sight deposits or savings accounts) or actual maturities that could vary from contractual maturities are assigned to re-pricing time bands according to the judgment and past experience of the bank.

ii. Gap Analysis: It helps to assess the interest rate risk of current earnings. To evaluate earnings exposure, interest rate-sensitive liabilities in each time band are subtracted from the corresponding interest rate-sensitive assets to produce a re-pricing “gap” for that time band. This gap is then multiplied by an assumed change in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate movement.

iii. Duration: A maturity/re-pricing schedule is also used to evaluate the effects of changing interest rates on a bank's economic value by applying sensitivity weights to each time band. Typically, such weights are based on estimates of the duration of assets and liabilities that fall into each time band.

iv. Quarterly Stress Testing: It is conducted on quarterly basis as per the directives of Bangladesh Bank to gain better insight into the vulnerable issue of IRRB.

6.2 Quantitative Disclosure

| | |
|-------------------------|------|
| Duration of Asset | 1.16 |
| Duration of Liability | 0.26 |
| Duration Gap (in Years) | 0.92 |

7. Market Risk

7.1 Qualitative Disclosure

BRAC Bank Limited is exposed to Market Risk mostly stemming from the risks pertaining to interest rate related instruments and equities in the trading book and foreign exchange and commodity risk both in the banking and trading book.

a. Methods Used to Measure Market Risk

Standardized (Rule Based) Approach is used to measure the market risk as per the guidelines of Bangladesh Bank where, for Interest Rate Risk and Equity Risk both General and Specific risk factors are applied for calculating required capital charges against Market Risk.

b. Market Risk Management System

i. Asset Liability Management: Changes in market liquidity and or interest rate exposes Bank's business to the risk of loss. As such BRAC Bank Limited gives adequate emphasis so that the level of balance sheet risks is effectively managed. Appropriate policies and procedures have been established as per the guidelines of Bank's Board of Directors (BOD) including relevant circular guidelines of Bangladesh Bank to control and limit these risks and proper resources are available for the evaluation and control of these risks. The Asset Liability Committee (ALCO) of the bank monitors Balance Sheet and liquidity risk of the bank.

ii. Foreign Exchange Risk Management: Treasury department is vested with the responsibility to measure and minimize the risk associated with bank's assets and liabilities including Foreign Exchange Risk. All Treasury functions are clearly demarcated between Treasury Front Office and Back Office. The Front Office is involved only in dealing activities while the Back Office is responsible for related support and monitoring functions. All the Treasury Front and Back Office personnel are guided as per Bangladesh Bank Core Risk Management guidelines. And they have separate and independent reporting lines to ensure segregation of duties and accountabilities. Dealing room is equipped with Reuter's information, voice screen recorder.

7.2 Quantitative Disclosure

| The Capital requirement for | |
|-----------------------------------|-------------|
| Interest Rate Related instruments | 5,589,200 |
| Equities | 217,335,036 |
| Foreign Exchange Position | 145,121,442 |
| Commodities | 0 |

8. Operational Risk

8.1 Qualitative Disclosure

a. Operational Risk: Operation risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and system or from external events. This definition includes legal risk, but excludes strategic or reputation risk. The Board of Directors (BOD) of BRAC Bank Limited and its Management firmly believe that efficient management of operational risks always contribute to the earnings of the Bank and at the same time secure the interest of its customers and shareholders. To materialize this understanding into reality, there are dedicated risk management associates across the Bank that consistently work for managing the Operational Risks using effective tools and techniques implemented through policies and processes.

b. Performance Gap of Executive and Staff: To reduce knowledge gap and assist in the development of our personnel, user friendly Operations Manual have been developed and enclosed with functional processes for all employees who are the end users of these processes. This is a critical initiative for the Bank because having a mapped out process enables users to operate more efficiently, enhances knowledge amongst staff and fills in the holes in operations. All the policies and processes address clear responsibilities and accountabilities of all employees.

c. Mitigation of Operational Risk : In BRAC Bank, a dedicated department under the Risk Management Division (RMD) consistently works in Operational Risk identification, assessment and implementing appropriate risk mitigation strategies across the Bank. It helps to create awareness about various types of risks in the pan bank and enhances management of significant risk exposures by escalating all risk issues timely and concisely to the MANCOM and Enterprise Risk Management Committee (ERMC). The team works in collaboration with all the departments in the Bank for minimizing the Operational Risk exposures by collating information from key stakeholders of processes across all functions of the bank, Incident Reports, Potential Loss Reports, Internal Audit Reports, External Audit Reports and various other sources to identify gaps, risks, compliance and control failures to ensure reporting of significant risks and corporate governance issues. Such maintenance of a bank-wide risk management framework enables every department to independently identify, assess and respond to changes in the operating environment.

d. Enterprise Risk Management Committee (ERMC): Facilitation of Enterprise Risk Management Committee (ERMC) meeting, which takes place in every month to ensure Bank's risk governance and compliance with Bangladesh Bank directives for minimizing the Bank's enterprise level risk issues, is one of the core initiatives in pursuit of eliminating operational risk. ERMC is an independent body composed of Bank's Management Committee (MANCOM) Members which is also an extended supervisory management of the Board of Directors of BRAC Bank and works in strategy setting across the enterprise for the matters of risk management.

e. Approach for Calculating Capital Charges for Operational Risk: Basic Indicator Approach (BIA) is followed to calculate the capital charges for Operational Risk as per the guidelines of Bangladesh Bank. As per BIA, the capital charge for Operations Risk is a fixed percentage denoted by α (alpha) of average positive gross annual income of the bank over the past three years.

Conclusion

BRAC Bank set examples by smoothly facilitating any changes and creating enabling environment for other market players to get enlightened from their journey. We concentrate on the quality of our portfolio even more as we are committed to work for people, planet and profit. With the mindset to be a sustainable bank, we thoroughly assess every individual before boarding in as customer.

While we intend to bolster the economic growth of our nation on ethical ground at the same time in the pursuit of excellence in service quality we constantly strive to inculcate service culture into DNA of all our employees and in the process create an enabling service environment for all.

8.2 Quantitative Disclosure

(Amount in Taka)

| Year | Gross Income (GI) | Weight @15% | 15% of Average GI |
|------------------------------------|-------------------|-------------|-------------------|
| 2013 | 13,123,318,456 | 15% | 1,968,497,768 |
| 2012 | 11,463,703,611 | 15% | 1,719,555,541 |
| 2011 | 10,758,869,719 | 15% | 1,613,830,458 |
| Gross Income of three years | | | |
| | 35,345,891,787 | 15% | 1,767,294,589 |

Board of Directors



Sir Fazle Hasan Abed, KCMG

Sir Fazle Hasan Abed rejoined the Board of BRAC Bank Limited as Chairman in March 2013. He is the founder Chairman of BRAC Bank Limited and the founder Chairperson of BRAC, the largest Non-Government organization in the world.

During his work with micro-credit financing for the poor, Sir Abed became aware that there was a substantial small entrepreneur class, the “missing middle” that did not have access to any institutional financing. This discovery led him to establish a full service commercial bank - BRAC Bank Limited – with a view to focusing attention to the financing of Small and Medium Enterprises (SME).

During the 1971 Liberation War of Bangladesh, Sir Abed then in his thirties, was a professional accountant holding a senior Corporate Executive position at Shell Oil Company. He left his job, moved to London and devoted himself to Bangladesh's War of Independence. There, he helped initiate a campaign called “Help Bangladesh” to organise funds in raising awareness about the war. When the war was over, Sir Abed initiated and set up BRAC for the relief and rehabilitation of returning refugees in a remote area in northeastern Bangladesh.

This work led him and BRAC to deal with the long-term task of improving living conditions of the rural poor. Thus, BRAC's primary objectives emerged as alleviation of poverty and empowerment of the poor. Under Sir Abed's leadership, in the span of over four decades, BRAC grew to become the largest development organisation in the world in terms of the scale and diversity of its interventions.

Sir Abed has received numerous national and international awards for his achievements in leading BRAC, including the Ramon Magsaysay Award for Community Leadership (1980), UNICEF's Maurice Pate Award (1992), Olof Palme Award (2001), Schwab Foundation Social Entrepreneurship Award (2002), UNDP Mahbub ul Haq Award for Outstanding Contribution in Human Development (2004), Gates Award for Global Health (2004), the Palli Karma Sahayak Foundation (PKSF) Award for Lifetime Achievement in Social Development and Poverty Alleviation (2007), the Henry R. Kravis Prize in Leadership (2007), the Inaugural Clinton Global Citizen Award (2007), the David Rockefeller Bridging Leadership Award (2008), the inaugural WISE Prize for Education (2011) from Qatar Foundation and Open Society Prize from Central European University (2013). He was appointed Knight Commander of the Order of St Michael and St George (KCMG) in 2009 for services in tackling poverty and empowering the poor in Bangladesh and globally.

Sir Abed is recognised by Ashoka as one of the "global greats" and is a founding member of its prestigious Global Academy for Social Entrepreneurship. In 2010 Sir Abed was appointed by UN Secretary General Ban Ki-moon to the Eminent Persons Group for the Least Developed Countries.

He has also received numerous honorary degrees including Doctor of Humane Letters from Yale University in 2007, Doctor of Laws from Columbia University in 2008, Doctor of Letters from the University of Oxford in 2009, Doctor of Laws from the University of Bath in 2010 and Doctor of Laws from the University of Manchester in 2012.

Sir Abed was born in Bangladesh in 1936. He completed his secondary education from Dhaka College, after which he left home to attend University of Glasgow where he studied Naval Architecture. Sir Abed joined the Chartered Institute of Management Accountants in London completing his professional education in 1962.

Muhammad A. (Rume) Ali

Muhammad A. (Rume) Ali joined the Board of BRAC Bank in 2007 and served as Chairman from 2008 to 2013. He served as the Managing Director, Enterprises & Investments of BRAC for many years. He is presently Adviser to the Interim Executive Director at BRAC and presides oversight of BRAC and BRAC International's financial institutions. He was elected the Chairman of BRAC EPL Investments Limited and BRAC EPL Stock Brokerage Limited in 2009 and BRAC Saajan Exchange (UK) Ltd in 2011 after BRAC Bank Limited's acquisition of these companies. Apart from these, he is also the Chairman of b-Kash Limited and BRAC IT Services Limited and also chairs the board of BRAC Lanka Finance (Sri Lanka) Ltd.

Rume Ali served at different levels in local and international banking sectors. Prior to joining BRAC in 2007, he served as the Deputy Governor of Bangladesh Bank from 2002 to 2006 and was responsible for Supervision, Anti Money Laundering, Information Technology, Bangladesh Bank Training Academy and Credit Information Bureau. During this period he was also the Project Director of the Central Bank strengthening Project and the Chief Coordinator of Focus Groups on Risk Management Guidelines which initiated major regulatory reforms, particularly in the Risk Management area. He was the Chairman of National Task Force for Anti-Money Laundering constituted by the Ministry of Finance from 2003 to 2006.

With his appointment as Country Head and General Manager of ANZ Grindlays in March 1997, Rume Ali became the first Bangladeshi to head a major international bank in Bangladesh. In July 2000, following the takeover of ANZ Grindlays by Standard Chartered Bank, Rume Ali was appointed the CEO of the Standard Chartered Group in Bangladesh, heading both Standard Chartered Bank and Standard Chartered Grindlays Bank. His banking experience includes stints in India, United Kingdom and Australia. Rume Ali was elected a Fellow of the Institute of Bankers, Bangladesh, in 2001. He was elected Vice Chairman of Bangladesh Association of Banks in 2007.

Rume Ali is director on the boards of several organizations including The CSR Center, International Centre for Study of Bengal Art, member of the Global Steering Committees of the 'Performance Based Grants Initiative' of the International Finance Corporation, Washington DC and with the Global Alliance on Banking on Values (GABV), member of the Technical Advisory Committee of the Bangladesh Investment Climate Fund. He is an independent member of the Board of the Alliance for Bangladesh Workers Safety (United States).



In the past he served as a member of the Better Business Forum, was the Vice President of the Employers Federation and was member of the Governing Body of PKSf (2002-07). He also served as a member of the National Advisory Committee on Small & Medium Enterprises (2005/6) and served as a member of the Committee on Strategic Policy Review of Small & Medium Enterprises Foundation and Institute of Bankers, Bangladesh. He participated as a member of Bangladesh Team in PRGF negotiations with IMF/World Bank (2003-06).

He received a number of awards including C. R. Das Research Council Gold Medal for 'Banker of the year 1995', Atish Dipanker Award for Banking - 2000, 'CEO of the Year -2000' by Junior Chamber International, Bangladesh and Sorojini Naidu Award for Banking 2008.

Rume Ali was born in Dhaka, Bangladesh in 1951. He has a Masters in Economics from University of Dhaka.

Nihad Kabir

Nihad Kabir was elected as an Independent Director on the Board of BRAC Bank Limited in July 2007. She is a member of the Board Audit Committee of the Bank. Nihad is the Senior Partner of Syed Ishtiaq Ahmad and Associates. She is, among others a Director of Infrastructure Development Company Limited (IDCOL), Palli Karma-Sahayak Foundation (PKSF), bKash, and independent director of Square Pharmaceutical Limited and Apex Footwear Limited.

Nihad Kabir is an advocate of the Supreme Court of Bangladesh. She has been the Vice President of the Metropolitan Chamber of Commerce and Industry, and is now a Committee Member of the Bangladesh Employers' Federation, as well as chair of its Labour Law Sub-Committee. She is a member of the Drafting Committee for the Labour Rules under the Labour Act 2006. She is the Legal Adviser of Centre for Policy Dialogue (CPD) and Policy Research Institute (PRI). She is a member of the Asian Roundtable on Corporate Governance, Board member of the South Asia Center for Policy Studies (SACEPS) and World Bank South Asia Region's Chief Economist's Advisory Council. She is a member of the Company Law Reform Committee, and was a member of the National Education Policy Committee, Government of Bangladesh. She was the first legal counsel of the Securities and Exchange Commission. She worked as Counsel at the Asian Development Bank. She has more than 20 years of work experience as a lawyer.

Nihad Kabir was called to the Bar from Grays Inn in England. She has a B.A. (Hons) degree in law and an LLM from the University of Cambridge, England.



Dr. Hafiz G. A. Siddiqi

Educated in Bangladesh, United Kingdom, United States and Switzerland, Dr. Siddiqi has more than 50 years of experience as professor, researcher, international consultant and business executive. Currently, he is Professor Emeritus, School of Business, BRAC University. Before joining BRAC University, Dr. Siddiqi voluntarily retired from North South University (NSU) after serving for about 19 years. His contribution to the growth and development of private universities in Bangladesh is outstanding. He was Professor and founding Dean, School of Business, NSU, the first private university of Bangladesh. He provided leadership to North South University as its Pro-Vice Chancellor for 5 years and Vice Chancellor and Chief Executive officer for about 10 years. He worked for the Institute of Business Administration, University of Dhaka for 18 years in various capacities including its Professor and Director. Besides, he taught more than 7 years at two US universities, namely, Ohio State University, Columbus, Ohio and Minnesota State University at Mankato, Minnesota as Professor of International Business and Management.

Dr. Hafiz Siddiqi obtained PhD degree from Manchester Business School, University of Manchester, United Kingdom, MBA from Graduate School of Business, Indiana University, Bloomington, Indiana, USA, MPIA (Master of Public and International Affairs), from Graduate School of Public and International Affairs, University of Pittsburgh, Pennsylvania, USA, M A (Economics) and B A (Honours in Economics) from Dhaka University.

Dr. Siddiqi worked as international consultant of (1) World Bank, (2) Asian Development Bank, Manila, (3) UN/ESCAP, Bangkok, and (4) International Trade Centre, GATT/UNCTAD. He advised many agencies of the government of Bangladesh on various aspects relating to management development, marketing, performance evaluation, human resource development, technology transfer, etc. He is author/ co-author of 12 books and many articles.



Besides, he serves the society by holding the following positions:

Independent Director, BRAC Bank Ltd.

Director, BRAC EPL Investment Ltd.

Director, BRAC IT Services Ltd.

Independent Director, Asia-Pacific General Insurance C. Ltd.

Director, Micro Industries Development Assistance Services Ltd. (MIDAS)

Chairman, Board Audit Committee, BRAC Bank Ltd

Member, Board of trustees, Dhaka School of Economics, Dhaka

Member, Board of Trustees, Dhaka School of Economics, Dhaka.

Zahida Ispahani

Ms. Zahida Ispahani was elected as an Independent Director to the Board of BRAC Bank Limited in August 2012. She has been an Honorary Adviser at Ispahani Islamia Eye Institute & Hospital since 2001.

She started her career as an educationist. She was an Executive Committee Member of Ispahani Girls School & College. She was Secretary at United Nations Women's Association in Bangladesh. She was also the Founder Secretary & President of the SAARC Women Association in Bangladesh. She is an organizer and member of several orphanages, social and community trusts and organizations.

Ms. Zahida Ispahani is a graduate in Economics from the University of Punjab, Pakistan.



Management Committee



Syed Mahbubur Rahman
Managing Director & CEO



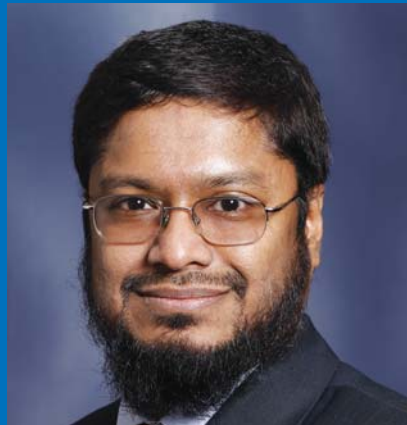
Mohammad Mamdudur Rashid
Deputy Managing Director



Ishtiaq Mohiuddin
Deputy Managing Director



Rais Uddin Ahmad
Company Secretary,
Head of Legal & Regulatory
Affairs and CAMLCO



Nabil Mustafizur Rahman
Chief Credit Officer



Syed Faridul Islam
Head of Risk Management



Firoz Ahmed Khan
Head of Retail Banking



Mahmoodun Nabi Chowdhury
Head of Corporate Banking



Shah Alam Bhuiyan
Head of Operations



Fatema Rizwana
Head of Human Resources



Syed Abdul Momen
Head of Small Business



Md. Mahbubul Alam
Head of Learning & Development



Zeeshan Kingshuk Huq
Head of Communication
& Service Quality



Md. Shaheen Iqbal
Acting Head of Treasury &
Finance Institutions

SME Banking Division

Financial Highlights

- The division has captured around 6% market share of SME Business of Bangladesh.
- Till date served 433,481 SME borrowers by lending BDT 248,351 million through its 572 customer touch points (SME unit offices, SME sales and service centers, SME Krishi Branches and Branches.)
- In 2013, the division disbursed BDT 33,676 million loans to 20,571 SME borrowers
- 8,885 new SME borrowers were included in the portfolio in 2013.
- The loan loss provision of SME Banking Division reduced by BDT 610 million in 2013 compared to the previous year.
- Maintained stable PAR & NPL position despite countrywide economic instability.
- In 2013, number of overdue accounts has been reduced by 12,316.
- Number of deposit accounts increased by 24,410 in 2013.

Business Highlights

SME Uddokta Shommelon

SME Division organized the first SME Uddokta Shommelon of the country in May 2013 in order to create a strong bond between the bank & the customers. More than 2,500 SME borrowers from all around country participated in the program. There was an open discussion with the SMEs to find out ways on how bank can contribute more for the development of SME sector.

Prominent journalist, media personality & agriculture development activist, Mr. Shykh Seraj moderated the event.

Governor of Bangladesh Bank has graced this occasion with his presence, gave an encouraging speech & awarded successful SMEs. Later on, Channel I aired a session based on this program highlighting the problems and possibilities of SME Business.

Offering Cash Management Services

In 2013 BRAC Bank SME Banking Division has started its own 'Cash Management Service' for the first time under its Liability department. It is a completely new experience/venture for SME division. This wing of SME Liability started its journey with a team of 6 fulltime employees. At present this team is dealing with a portfolio of around BDT 697 million, where most of the clients fit in the medium category. Targeting this group of clients the Cash Management team has set its target to increase the portfolio size by maintaining continuous and effective banking relationship and nevertheless looking for newer relationships in the proximate arena. Already some renowned companies have come under MOU with SME Cash Management. University of Asia Pacific, Bangladesh Eye Hospital, A & W are some such valuable clients this department booked under its new relationship.

ACM Credit Model for Small Loan Proposals

SME Division overhauled its underwriting model of Small Loans in July 2013 to make the credit approval process more robust and reduce Turn Around Time (TAT) of SME loan proposal. In the new model, Credit Approvers (Area Credit Manager-ACM) are decentralized at field level. ACMs are now visiting the loan proposal and at the same time providing credit decision on the spot. This process is enabling our SME loan applicants to get the credit approval in shortest possible time.

New Unit Office Opening

SME Division started opening new SME Unit Offices starting from July 2013 to take the financial services closer to the SME Borrowers across the country. 41 new SME unit offices have been opened in 2013 in addition to the existing 400 Offices. With this expansion, BRAC Bank SME has once again established its commitment to serve the SMEs of the country and achieve bank's goal of financial inclusion.

Monitoring Division

SME Division established the Monitoring Division to ensure compliance & governance at all touch points of SME division and mitigate the risk components. Members of Monitoring Division visit each SME Unit Office once every quarter and identify the potential risks and suggest remedies. This will contribute to long-term growth and will ensure sustainability in SME business.

Introduction of Emerging Small Business

Since inception BBL's SME Division focused on unsecured Small Loans and achieved excellence in understanding the needs of Small Entrepreneurs. However, there is a segment of customer whose loan requirement is higher than the range of small loans and in most of the cases they own land/building/possession to offer as collaterals for loans. The private commercial banks do cater to this segment but a large portion is still underserved. SME Division has established Emerging Small Business (ESB) with a team of competent staff to cater to this segment of customers. In the ESB team there are dedicated Relationship Officers (ROs) for each customer. The ROs have a thorough understanding of customers' business and offer appropriate financial facilities/services to address all financial needs of the customers. Experienced Relationship Managers (RMs) monitor/coach/guide/advise the ROs on a daily basis.

Retail Banking Division

Financial Highlights

2013 was a critical year for banking business. The political unrest and tension was the biggest hurdle to cope up with. Yet, the Branches have put their all-out effort to keep the growth higher than the previous year in few strategic areas: i) bringing low cost deposit to replace the high cost term deposits ii) Focusing on SME assets and Credit cards more than ever. Branches have come forward with full effort not only to make the above a success, they also diligently worked to keep our delinquency at a tolerable rate. Altogether, the reflection on the figures is shown below:

- Total Asset booked from Branch Banking is BDT 2,174 million, which is 31% more than the booking of previous year.
- In 2013 Branch Banking focused on changing the deposit composition by bringing more CASA deposit so that bank can get a low-cost deposit base. Even in a year of greatest political unrest Branch Banking ensured CASA deposit net growth of BDT 3,563 million which is 11.25 times more than the net growth of 2012.
- Branch Banking issued the highest ever credit cards in 2013. This year a total 6,818 credit cards have been issued by the branches which are 11% higher than the previous year's profit.
- Retail Current & Savings deposit portfolio grew by BDT 3,692 million (16% growth) in 2013.
- 127,453 new Current and Savings accounts were opened which resulted in 21.85% portfolio growth.
- Non Funded Income increased by BDT 4.3 million (10% growth).
- 25% increase in FCY sales and 32% increase in FCY purchase.

Business Highlights

New Branch

This year 2 more new Branches have started their journey

1. Baniachong Branch (Habiganj, Sylhet)
2. Uttara Jashim Uddin Avenue Branch

Trade Desk at Branches

2013 was also significant for the reason that this year specific Trade desks were set in few branches. This will significantly improve Import/Export facilitations from branches. This project will gradually be spread in other important locations to achieve the strategic target of "Becoming a preferred Trade Bank".

First ever Branch Managers' convention

On April 30, the first ever Branch Managers' convention took place. The convention opened up the opportunity for sharing the views and thoughts of the Branch Managers with the Management that helped significantly to get to the core of the Bank's strategic moves and direction.

Launching of RFCD Debit Card

In 2013 RFCD Debit Card was launched. It is the first International Debit Card of BRAC Bank. RFCD Debit Card is the easiest way to access Resident Foreign Currency Deposit (RFCD) account from abroad. This debit card can be used worldwide at Visa ATMs for cash withdrawals, Visa Point-of-Sales (POS) terminals for purchases and for making payments on the internet against US Dollar RFCD Account maintained with BRAC Bank.

Launching of School Banking Program

BRAC Bank has launched “School Banking Program” to inculcate savings habit among school children. This program not only brings school children under the umbrella of financial services but also reduces cost and hassle for the school. As per School Banking arrangement BRAC Bank will open Future Star Accounts for school students and collect school fees electronically from these accounts which will eliminate the hassle of school fee payment as well as collection.

Launching of Debit Card Fast Rewards

Debit Card Fast Reward program was launched to increase usage of debit cards. BRAC Bank account holders can earn points while they spend for regular purchases. A debit card holder can earn one (1) reward point for every local retail purchase of Tk.100 with BRAC Bank Debit Card.

JCB card implementation project

BRAC Bank is one of the largest issuer and acquirer of plastic money in Bangladesh. Whereas JCB is one of the largest payment processor in the world. BRAC Bank introduced JCB in Bangladesh in 2013. With the introduction of JCB card in Bangladesh now BRAC Bank supports VISA, Master card and JCB card as acquirer and issuer.

JCB card is very popular in Japan, China, Singapore, Hong-Kong in this region. A great number of people visit Bangladesh from these countries for business and travel purposes. So introduction of JCB card has created more convenience for these travelers to use their JCB card in Bangladesh.

Bangladesh Road and Transport Authority (BRTA) in eCommerce

BRAC Bank is successfully running its eCommerce business for last three years which was first introduced in 2010. Recently BRAC Bank has incorporated different government organizations for ticket purchasing and bill payment through eCommerce. In this regard BRAC Bank has successfully brought BRTA (Bangladesh Road and Transport Authority) under its eCommerce platform.

The first and the foremost benefit which customers can get with the help of online payments service is that they can pay BRTA Payments from anywhere. The second advantage of the online payments service is that this process is completely hassle free. Customers do not have to stand in the long queue to pay BRTA Fees. Customers can pay all expense related to BRTA using VISA / Master Debit or Credit Card.

For BRTA fees payment, customers need to visit the website “www.ipaybrta.cnsbd.com” to avail the following services:

- Apply for vehicle registration
- Review registration information
- Download payment receipt
- Review payment history
- Track application status

Corporate Banking Division

Corporate Banking Division is an integrated & specialized area of BRAC Bank Limited, which meets the diverse financial needs of the corporate customers by designing customized and structured financial solutions for their business. Corporate Banking Division provides banking services and financial partnership to a wide range of corporate entities and institutions of the country. With its expertise and dedication, Corporate Banking Division aims to provide the best possible services to the customers to achieve success in every business endeavor they have.

Corporate Banking Division operates in a centralized structure through online banking system. At every stage of its involvement, Corporate Banking Division adhere to strict internal control guidelines and prevalent legal and statutory compliance.

In addition to traditional industries like RMG, Steel, Pharmaceuticals, Textiles, Ship Breaking & Trading sector, Corporate Banking Division has set its footprints in Packaging, Food processing, Power generation, Construction, Aviation, Glassware, Edible Oil Refinery, Healthcare, Renewable Energy, Plastic Polymer, Telecommunications, Ocean-Going Vessel financing, Agro-Business, etc.

Corporate Banking Division caters to a broad range of customized solutions and services targeted towards corporate and institutional clients, which includes multinationals, top-tier local corporations as well as government-owned entities. Projects include a combination of new projects, as well as the expansion, diversification and transformation of existing businesses in infrastructure and non-infrastructure sectors for the economic development of our country. It also involves performing in-depth research into different macro-economic trends and detailed analyses of recent developments that have affected specific industries and stakeholders.

Financial Highlights

- Corporate Banking Division strongly focused on increasing its non-funded earnings and achieved a 7% growth in total NFI revenue in 2013.
- In 2013, Corporate Banking Division registered an asset growth of BDT 10,480 million with 16% growth in net interest income.
- There was also tremendous focus on enhancing our off-shore banking portfolio through trade and project financing by leveraging our relationships with different clients and multi-lateral agencies.
- We also diversified our portfolio into other sectors, such as jute, solar and renewable energy. There was a greater focus on textile and RMG sector, particularly on the front-end section of the value chain.
- We maintained BRAC Bank's focus in power generation by providing end-to-end solutions including trade finance, syndications, through our onshore as well as off-shore book.
- In 2013, Offshore Banking Unit (OBU) portfolio has grown considerably in terms of size and became the highest among the PCBs. In 2013, BRAC Bank Ltd registered a growth of 75% in the asset portfolio of its Offshore Banking Unit (OBU) by increasing it from BDT 8,250 million to BDT 14,370 million. Our OBU deposit grew by BDT 7,852 million in 2013.
- Improving the overall asset quality of our portfolio, by strict monitoring and adhering to more stringent credit guidelines.

Business Highlights

Power

The power sector plays a significant role in shaping the level of economic growth and standard of living of an economy. The demand for electricity in Bangladesh has soared immensely with the rise in the number of industries and households. In the year 2013, BRAC Bank Limited continued its emphasis in the sector by supporting the setting up of new power companies such as Summit Meghnaghat Power Company Limited, a 335 MW dual-fuel combined cycle power plant, which shall be the largest power generating unit in the private sector in Bangladesh.

Telecommunications

One of the major focus areas was to expand our portfolio in the telecommunications sector. The demand for broadband internet connection is growing at a fast pace. BRAC Bank has been extending all-out support to QUBEE, one of the leading WIMAX operators of the country. BBL has also expanded its reach in this sector along with its presence with the leading GSM and CDMA mobile operators.

Textiles & RMG

RMG accounts for a significant proportion of the export volume of Bangladesh and the sector is the largest earner of foreign currency. In 2012, BBL Corporate Banking Division made headway in on-boarding textiles and Ready Made Garments industry units along the entire value chain. We offered trade solutions and reduced financial expenses for our clients in this sector.

Off-shore Banking Unit

An efficient offshore banking system is imperative in ensuring the success of incoming foreign investment. From a customer's perspective, financing through OBU enables it to receive loans at relatively lower pricing with a lower foreign exchange risk. As a leading PCB, BRAC Bank provides end to end solutions through its Offshore Banking unit to the corporate clients. In 2013, its OBU portfolio has grown considerably in terms of size and became the highest among the PCBs.

Its range of services includes short term and long term loans as well as discounting arrangements. Through OBU we are being able to support trade finance, meet short term import dependent requirements for its clients, facilitating project financing which makes the project feasible for the client owing to lower borrowing cost.

Trade Growth

The year 2013 saw a good response in trade growth. We routed L/Cs through our counter to the tune of BDT 36,081 million.

Corporate Social responsibility

In 2013, Corporate Banking Division steps forward to increase the financial inclusion by encouraging its clients to open salary accounts for its employees to ensure banking with a social responsibility aspect. Besides, Corporate Banking Division also financed in various ETP projects to support bank's own 3P philosophy (people, planet & profit) as well as central bank's green financing directives.

Cash Management & Custodial Services

The Cash Management & Custodial Services department of BRAC Bank Limited caters to different corporate houses through collecting and managing funds through different investment vehicles in order to improve a company's overall financial profitability.

Bangladesh economy experienced fluctuating fortunes in 2013 and economic growth slowed down for a second consecutive year. The stagnation in the private investments aggravated the escalation of excess liquidity in the banking sector of the country. However, the Cash Management & Custodial Services department of BRAC Bank Limited has been able to deploy its funds strategically through segregated investments in different arenas.

Through our Cash Management Services, the bank is continuously thriving to offer custom tailored cash management solutions like NCS (Nation Wide Collection Services), PTS (Payment Transfer Solution), IPO (Initial Public offerings), MBS (Mobile Banking Services) & cash pick up and drop Services.

- Cash Management also facilitated the distribution of compensation worth BDT 110 million by an international organization, to the victims of Rana Plaza for their rehabilitation. The success of the service has been attracting other foreign companies who are willing to contribute for the same cause.

Financial Highlights

Cash Management

- The IPO team has conducted 11 IPOs out of 13 in the industry & collected BDT 28,132 million of funds during 2013 as lead banker to the issue, banker to the issue of IPO, right shares and dividends which accounted for 47% of the industry's collections.
- The Cash Management team has focused largely on transactional accounts to reduce dependency on high cost term deposits.

Business Highlights

Cash Management

- In the year 2013, Custodial Services signed agreements with three Asset Management Companies, Union Financial Services, Alliance Capital Asset Management Limited and Vanguard Asset Management Limited as custodian of their mutual funds.
- Custodial Services has tied knots with Amigo Holdings CA, an institutional investor based in Luxembourg having its focus on the Bangladesh Capital market. Amigo Holdings is one of the many foreign institutional clients investing in the Bangladesh Capital Market through BRAC Bank Limited.

**Certificate of Compliance to the Shareholders of
BRAC Bank Limited**

(As required under the BSEC Corporate Governance Guidelines)

We have examined compliance to the BSEC guidelines on Corporate Governance by **BRAC Bank Limited** for the year ended 31st December 2013. These guidelines relate to the Notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 7th August 2012 of Bangladesh Securities and Exchange Commission (BSEC) on Corporate Governance.

Such compliance to the codes of Corporate Governance is the responsibility of the Bank. Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of Corporate Governance. This is a scrutiny and verification only and not an expression of opinion or audit on the financial statements of the Bank.

In our opinion and to the best of our information and according to the explanations provided to us, we certify that, subject to the remarks and observations as reported in the attached Compliance Statement, the Bank has complied with the conditions of Corporate Governance as stipulated in the above mentioned guidelines issued by BSEC.

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



Al-Muqtadir Associates
Chartered Secretaries & Consultants

Dhaka, March 05, 2014



Corporate Governance Compliance Report

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

| Condition No. | Title | Compliance status (put in \checkmark the appropriate column) | | Remarks (if any) |
|---------------|---|--|--------------|---------------------|
| | | Complied | Not complied | |
| 1.00 | Board of Directors | | | |
| 1.1 | Board's size: should not be less than 5 (five) and more than 20 (twenty) | \checkmark | | |
| 1.2 (i) | Independent Directors: At least one fifth (1/5) of the total number of directors in the company's board shall be independent directors. | \checkmark | | |
| 1.2 (ii) a) | Shareholding less than one percent (1%) shares of the total paid-up shares of the company; | \checkmark | | |
| 1.2 (ii) b) | Any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. | \checkmark | | |
| 1.2 (ii) c) | Any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies; | \checkmark | | |
| 1.2 (ii) d) | who is not a member, director or officer of any stock exchange; | | | |
| 1.2 (ii) e) | who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market; | \checkmark | | |
| 1.2 (ii) f) | who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of any statutory audit firm; | \checkmark | | |
| 1.2 (ii) g) | who shall not be an independent director in more than 3 (three) listed companies; | \checkmark | | |
| 1.2 (ii) h) | who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI); | \checkmark | | |
| 1.2 (ii) i) | who has not been convicted for a criminal offence involving moral turpitude. | \checkmark | | |
| 1.2 (iii) | the independent director(s) shall be nominated by the board of directors and approved by the shareholders in the Annual General Meeting (AGM). | \checkmark | | |
| 1.2 (iv) | the post of independent director(s) can not remain vacant for more than 90 (ninety) days. | \checkmark | | No Vacancy Occurred |
| 1.2 (v) | the Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded. | \checkmark | | |
| 1.2 (vi) | the tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only. | \checkmark | | |
| 1.3 (i) | Qualification of Independent Director: Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business. | \checkmark | | |

| Condition No. | Title | Compliance status (put in $\sqrt{}$ the appropriate column) | | Remarks (if any) |
|---------------|--|--|--------------|------------------|
| | | Complied | Not complied | |
| 1.3 (ii) | The person should be a Business Leader/Corporate Leader/Bureaucrat/University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management/professional experiences. | $\sqrt{}$ | | |
| 1.3 (iii) | In special cases the above qualifications may be relaxed subject to prior approval of the Commission. | | | No such case |
| 1.4 | Chairman of the Board and Chief Executive Officer: The positions of the Chairman of the Board and the Chief Executive Officer of the companies shall be filled by different individuals. | $\sqrt{}$ | | |
| 1.5 | The Directors' Report to Shareholders | | | |
| 1.5 (i) | Industry outlook and possible future developments in the industry. | $\sqrt{}$ | | |
| 1.5 (ii) | Segment-wise or product-wise performance. | $\sqrt{}$ | | |
| 1.5 (iii) | Risks and concerns. | $\sqrt{}$ | | |
| 1.5 (iv) | A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin. | $\sqrt{}$ | | |
| 1.5 (v) | Discussion on continuity of any Extra-Ordinary gain or loss. | | | No such case |
| 1.5 (vi) | Basis for related party transactions- a statement of all related party transactions should be disclosed in the annual report. | $\sqrt{}$ | | |
| 1.5 (vii) | Utilization of proceeds from public issues, rights issues and/or through any others instruments. | $\sqrt{}$ | | |
| 1.5 (viii) | An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc. | $\sqrt{}$ | | |
| 1.5 (ix) | If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report. | | | No such case |
| 1.5 (x) | Remuneration to directors including independent directors. | $\sqrt{}$ | | |
| 1.5 (xi) | The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity. | $\sqrt{}$ | | |
| 1.5 (xii) | Proper books of account of the issuer company have been maintained. | $\sqrt{}$ | | |
| 1.5 (xiii) | Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment. | $\sqrt{}$ | | |
| 1.5 (xiv) | International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed. | $\sqrt{}$ | | |
| 1.5 (xv) | The system of internal control is sound in design and has been effectively implemented and monitored. | $\sqrt{}$ | | |

| Condition No. | Title | Compliance status (put in \checkmark the appropriate column) | | Remarks (if any) |
|---------------|---|--|--------------|---------------------|
| | | Complied | Not complied | |
| 1.5 (xvi) | There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed. | \checkmark | | |
| 1.5 (xvii) | Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained. | \checkmark | | |
| 1.5 (xviii) | Key operating and financial data of at least preceding 5 (five) years shall be summarized. | \checkmark | | |
| 1.5 (xix) | If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given. | | | No such case arised |
| 1.5 (xx) | The number of Board meetings held during the year and attendance by each director shall be disclosed. | \checkmark | | |
| 1.5 (xxi) | The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:- | \checkmark | | |
| 1.5 (xxi) a) | Parent/Subsidiary/Associated Companies and other related parties (name wise details); | \checkmark | | |
| 1.5 (xxi) b) | Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details); | \checkmark | | |
| 1.5 (xxi) c) | Executives; (executive" means top 5 (five) salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit.) | \checkmark | | |
| 1.5 (xxi) d) | Shareholders holding ten percent (10%) or more voting interest in the company (name wise details). | \checkmark | | |
| 1.5 (xxii) | In case of the appointment/re-appointment of a director the company shall disclose the following information to the shareholders:- | \checkmark | | |
| 1.5 (xxii) a) | a brief resume of the director; | \checkmark | | |
| 1.5 (xxii) b) | nature of his/her expertise in specific functional areas; | \checkmark | | |
| 1.5 (xxii) c) | names of companies in which the person also holds the directorship and the membership of committees of the board. | \checkmark | | |
| 2 | CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY (CS): | | | |
| 2.1 | Appointment: The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS. | \checkmark | | |
| 2.2 | Requirement to attend the Board Meetings: The CFO and the Company Secretary of the companies shall attend the meetings of the Board of Directors, provided that the CFO and/or the Company Secretary shall not attend such part of a meeting of the Board of Directors which involves consideration of an agenda item relating to their personal matters. | \checkmark | | |

| Condition No. | Title | Compliance status (put in [√] the appropriate column) | | Remarks (if any) |
|---------------|--|--|--------------|---------------------|
| | | Complied | Not complied | |
| 3 (i) | Audit Committee: The company shall have an Audit Committee as a sub-committee of the Board of Directors. | √ | | |
| 3 (ii) | The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business. | √ | | |
| 3 (iii) | The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing. | √ | | |
| 3.1 | Constitution of the Audit Committee | | | |
| 3.1 (i) | The Audit Committee shall be composed of at least 3 (three) members. | √ | | |
| 3.1 (ii) | The Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) independent director. | √ | | |
| 3.1 (iii) | All members of the audit committee should be “financially literate” and at least 1 (one) member shall have accounting or related financial management experience. | √ | | |
| 3.1 (iv) | When the term of service of the Committee members expires or there is any circumstance causing any Committee member to be unable to hold office until expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board of Directors shall appoint the new Committee member(s) to fill up the vacancy (ies) immediately or not later than 1 (one) month from the date of vacancy(ies) in the Committee to ensure continuity of the performance of work of the Audit Committee. | | | No Vacancy Occurred |
| 3.1 (v) | The company secretary shall act as the secretary of the Committee. | √ | | |
| 3.1 (vi) | The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director. | √ | | |
| 3.2 | Chairman of the Audit Committee | | | |
| 3.2 (i) | The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director. | √ | | |
| 3.2 (ii) | Chairman of the audit committee shall remain present in the Annual General Meeting (AGM). | √ | | |
| 3.3 (i) | Role of Audit Committee: Oversee the financial reporting process. | √ | | |
| 3.3 (ii) | Monitor choice of accounting policies and principles. | √ | | |
| 3.3 (iii) | Monitor Internal Control Risk management process. | √ | | |
| 3.3 (iv) | Oversee hiring and performance of external auditors. | √ | | |
| 3.3 (v) | Review along with the management, the annual financial statements before submission to the board for approval. | √ | | |
| 3.3 (vi) | Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval. | √ | | |
| 3.3 (vii) | Review the adequacy of internal audit function. | √ | | |
| 3.3 (viii) | Review statement of significant related party transactions submitted by the management. | √ | | |

| Condition No. | Title | Compliance status (put in [√] the appropriate column) | | Remarks (if any) |
|---------------|---|--|--------------|------------------|
| | | Complied | Not complied | |
| 3.3 (ix) | Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors. | √ | | |
| 3.3 (x) | When money is raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for the purposes other than those stated in the offer document/prospectus. | √ | | |
| 3.4.1 | Reporting of the Audit Committee : Reporting to the Board of Directors | √ | | |
| 3.4.1 (i) | The Audit Committee shall report on its activities to the Board of Directors. | √ | | |
| 3.4.1 (ii) | The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:- | √ | | |
| 3.4.1 (ii) a) | report on conflicts of interests; | None | | No such case |
| 3.4.1 (ii) b) | suspected or presumed fraud or irregularity or material defect in the internal control system; | None | | No such case |
| 3.4.1 (ii) c) | suspected infringement of laws, including securities related laws, rules and regulations; | None | | No such case |
| 3.4.1 (ii) d) | any other matter which shall be disclosed to the Board of Directors immediately. | None | | No such case |
| 3.4.2 | Reporting to the Authorities | None | | No such case |
| 3.5 | Reporting to the Shareholders and General Investors | √ | | |
| 4 | EXTERNAL/STATUTORY AUDITORS: | | | |
| 4 (i) | Non-engagement in appraisal or valuation | √ | | |
| 4 (ii) | Non-engaged in designing of Financial Information System | √ | | |
| 4 (iii) | Non-engagement in Book-keeping or other services related to the accounting records or financial statements. | √ | | |
| 4 (iv) | Non-engagement in Broker-dealer services. | √ | | |
| 4 (v) | Non-engagement in Actuarial services. | √ | | |
| 4 (vi) | Non-engagement in Internal audit services. | √ | | |
| 4 (vii) | Non-engagement in Any other service that the Audit Committee determines. | √ | | |
| 4 (viii) | No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company. | √ | | |
| 4 (ix) | Audit/ certification services on compliance of corporate governance as required under clause (i) of Condition No. 7 | √ | | |
| 5 (i) | SUBSIDIARY COMPANY: Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company. | √ | | |

| Condition No. | Title | Compliance status (put in ✓ the appropriate column) | | Remarks (if any) |
|---------------|---|---|--------------|------------------|
| | | Complied | Not complied | |
| 5 (ii) | At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company. | ✓ | | |
| 5 (iii) | The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company. | ✓ | | |
| 5 (iv) | The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also. | ✓ | | |
| 5 (v) | The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company. | ✓ | | |
| 6 | DUTIES OF CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO): (The CEO and CFO shall certify to the Board that:- They have reviewed financial statements for the year and that to the best of their knowledge and belief:) | | | |
| 6 (i) a) | these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; | ✓ | | |
| 6 (i) b) | these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws. | ✓ | | |
| 6 (ii) | There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct. | ✓ | | No such case |
| 7 | REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE | | | |
| 7 (i) | Obtain a certificate from a Professional Accountant/Secretary regarding compliance of conditions of Corporate Governance Guidelines | ✓ | | |
| 7 (ii) | The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions. | ✓ | | |

Our GREEN Presence for a Greener and Better Future

The Stone Age didn't end because we ran out of stones. It ended because there were better ideas about how to meet society's needs. Similarly, the end of our current "oil age" won't end because we run out of oil. It will end because we have better ways to meet our energy needs. Those better ways are proven, cost-effective and have multiple benefits to individuals and society. Bangladesh has one of the lowest levels of per capita consumption of commercial energy in South Asia. It has a large unsatisfied demand for energy, which is growing by 10 percent annually, the concern is our country's power generation system is almost entirely dependent on fossil-fuel. This at one side is causing fast depletion of gas reserves at the same time deteriorating the mother nature. We know the burning of fossil fuels produces carbon dioxide, but the concern is it is estimated that natural processes can only absorb about half of that amount. So what happens to the remaining? Under such circumstances the only savior that can protect us from the detriments of environmental degradation is afforestation.

We all know that trees are the longest living organisms on the planet and one of the earth's greatest natural resources. They keep our air supply clean, reduce noise pollution, improve water quality, help prevent erosion, provide food and building materials, create shade, and help make our landscapes look beautiful. Interestingly enough many of us might not be aware that a mature tree removes more pollution than a newly planted tree. Precisely, two mature trees can supply enough oxygen annually to support a family of four! The undisputed significance of trees is ubiquitous. Not only trees create buffers to reduce noise, its roots stabilize soil and prevent erosion. Moreover, trees lower air temperature by evaporating water in their leaves. Being a banking financial organization all we can do by functioning within the periphery of our operation, we can put sincere effort for a sustainable banking. Having started its journey last year with representatives from different divisions, our Green Banking Unit (GBU) has allotted more than BDT 900 million under **green budget for the year 2013**, whereby the achievement rate is appreciable. It comprises of green financing, climate risk fund, marketing, training and capacity building.

We strive to go for extensive green financing where in the year 2013 the amount was around BDT 3,364 million. We have gone for Direct Green Financing as well as provided Working Capital Financing to projects having ETP/Solar Panels/double hull oil tanker. Also worth mentioning, the number of Projects applicable for Environmental Due Diligence (EDD) and Projects being rated (i.e. Environmental Risk Rating) has been increasing appreciably over time. Environmental risk rating is an integral part of our credit appraisal process.

Moreover, the consumption of water, paper and energy has been optimum where we always strive to utilize these resources more efficiently. Whereby, as far as our in-house green management is concerned, we cautiously adhere to the guideline prescribed in our Green Office Guide. We have extensively gone for indirect green financing especially Projects financed having Effluent Treatment Plant (ETP). Also part of Corporate Social Responsibility (CSR) activities, there are three significant events in which we contributed to Green Banking and they are as follows: 1. Bishwa Shahitya Kendra - Greeneries at the premises 2. Bangladesh Bonsai Association - Event Support 3. We supported a Daily newspaper to send a reporter to Poland to cover World Climate Conference 2013. This is the 19th yearly session of the Conference of the Parties (COP 19) organized by the United Nations Framework Convention on Climate Change (UNFCCC). The conference works to reach a global agreement on climate change. The conference is critical for a country like Bangladesh which risks losing a large part of land due to rise in sea level as an effect of climate change. At Warsaw Conference, member states agreed to work towards curbing emissions as soon as possible, with an idea date targeted at the first quarter of 2015. Being a fully online bank we emphasize i-banking and mobile banking subscription exhaustively. We are also persistently pursuing e-commerce facilities. Having introduced business via e-Commerce in 2010 BRAC Bank is rapidly gaining success in this field. The online payment gateway has served as a crucial component in BRAC Bank's Green Banking initiative by reducing the use of paper and increasing paperless transactions.

Currently around 250 merchants are using our online platform through which our debit/credit card holders can avail our e-commerce facilities. These services have not only made the lives of our valued customers easy, but have also helped reduce air and noise pollution and reduce energy consumptions. Some of BRAC Bank's most significant e-Commerce merchants are:

1. Online BRTA Fees payments: Long queue and traffic jam are the common problems faced by customers while paying BRTA fees. To make customers' life more convenient we have successfully integrated our eCommerce payment gateway with the BRTA website. Now customers can make payments from the comfort of their home or office.

2. Online Railway: Bus and Airlines ticket sale: At present with the convenience of online payment gateway people are purchasing Bangladesh railway, bus and airlines tickets of various route online. This facility helps eliminate the customers' need to go to the ticket counter physically. Now they can easily purchase ticket from anywhere with the help of internet and online payment gateway.

In Bangladesh, online payment gateway is gradually becoming a popular way of making payment through internet for almost everything. If utilized to its fullest it also has the potential to significantly reduce the necessity of people to physically go to stores (merchant locations), thereby reducing traffic & fuel consumption. In turn this will reduce physical commuting and contribute to lesser emission of air and noise pollution.

In support of the Green Banking initiative, we have introduced a receipt printing option at all our ATMs. Now customers have the option of NOT printing the ATM paper receipt instead of always receiving it by default. It is an eco-friendly initiative to save a bulk amount of receipt paper.

For continuous capacity building of our human resource, exclusive training sessions on "Green Banking" were arranged to garner best practices and enhance knowledge. Moreover, via e-learning module employee knowledge base is vastly enhanced. All newly recruited employees have been taken under the purview of Green Banking in their Orientation Programs. Till date, approximately 5200 employees have been enlightened with Training Programs/Seminars exclusively conducted for Green Banking. It is also to be borne in mind that as the development of sector specific environmental risk policies is already underway, our credit appraisal process inherently considers the environmental aspect of the borrowers. Moreover, with the constant support and guidance from our regulators we always strive to incorporate better practices and norms in the business operation. We operate with a green soul and it is for this reason on our 12th anniversary of financial inclusion we distributed saplings to our valued stakeholders.

Risks and Concerns

The first step to risk management process is always to acknowledge the reality of risk. BRAC Bank identifies, analyses and escalates all kinds of risks (e.g. legal, compliance, reputational, strategic, etc) inclusive of six core risks based on Bangladesh Bank's Core Risk Guidelines. With the development of key risk indicators, business continuity planning, Basel II & III compliance advancement, and the re-engineering/establishment of process manuals to ensure proper accountability and operational control, our risk assessment, evaluation and mitigation procedure is carried out with vivid ideology and perfection. For risk identification and escalation to senior management a dedicated department is in place to forecast and identify risk based on Bangladesh Bank's core risk guidelines. We analyze and suggest on risk mitigation, report it timely to senior management for strategic decisions, gear up resources to meet all requirements set by Bangladesh Bank on capital adequacy, risk supervision and disclosure and combat all possibilities of risk across the board.

An Enterprise Risk Management Committee (ERMC) is strongly performing to ensure bank's risk governance and ensure compliance with Bangladesh Bank directives. ERMC is a process supported by the Board of Directors and Management Committee members, solely designed to identify potential events that may affect the organization. It also provides reasonable assurance regarding the achievement of the bank's strategic objectives to the related stakeholders. Every month high risk issues are escalated to ERMC, where based on their feedback the actionable items are rolled out meticulously. To acquire a holistic approach, another platform has been introduced namely "Risk Associate Forum", where designated risk associates pan bank congregate every month to identify, analyze and mitigate risk issues. Members of this forum are representatives from all the concerned divisions of the bank. Such maintenance of a bank-wide risk management framework enables every department to independently identify, assess and respond to changes in the operating environment.

Whereby, every month these risk issues identified at different divisions are discussed for mitigation. In addition to this and also as part of Basel II compliance, management of all core risks is done by the respective core risk owners of our bank, based on the feedback received from Central Bank as well as internal Audit reports, CAMELS rating, various returns and internal MIS and also keeping in mind all the relevant risk aspects, industry position, business activities and feedback from across the bank. For each of the six core risks bank has developed its own separate policies to which everyone is required to adhere to.

We create awareness about various types of risks pan bank. It is done via **Risk Associates Forum**, **Risk Register** and also by collating information from key stakeholders and identifying gaps, risks, breaches and control failures. **Risk Register** is a very dynamic tool which enables all to enter any risk issue faced by diversely located officials of the bank. It provides a convenient platform with a very user friendly interface for hassle free escalation of risks. By assessing **Key Risk Indicators (KRIs)** from all the departments and treating them properly helps us to take adequate measures proactively. We have strengthened the Basel implementation team that oversees the activities in accordance with the Basel Accords. Generally speaking, these rules mean that the greater risk to which the bank is exposed, the greater the amount of capital the bank needs to hold to safeguard its solvency and overall economic stability. Under the auspice of the regulators implementation of Pillar II of Basel II is underway. Also to mention, periodic **Stress Testing** activity is conducted in the banking portfolio. Moreover, complementing these rigorous activities, user-friendly yet addressing every risk elements and control points prudently, various Operational Manuals for all BBL end-users are spontaneously developed. Since there is always room for improvement, they are periodically reviewed and updated when requisite. Likewise, we also focus on developing and reviewing all Product Program Guidelines (PPG), policies & processes (Business, Operations, & Support) to mitigate the risk and find out existing process gaps.

Auditing is also an integral part of our operational periphery. Unless we know where the lapses are, we won't be able to fill up the gaps. And by scrutinizing audit trails meticulously we conduct briefing sessions with the related parties. Periodic and spot audits not only enable us to identify process loop holes but also give us room for improvement. There are zero tolerance areas which are dealt with iron hand. Besides, via audit socialization we strive to create awareness across the bank and share the prevalent risk elements. Additionally, as we are becoming more reliant on advanced technological break-through and sophisticated applications, we are becoming more susceptible to innovative kinds of risks. While we strive to minimize risk at its root, every now and then we are bombarded with the impacts of various fraudulent activities. Investigations of external and internal fraudulent activities are another dimension of Risk Management team. Our investigation team unearths all plausible causes and sources of fraudsters and ensures punitive measures are aptly executed. At the same time, they strive to ensure the elimination of such occurrence in future by creating awareness, necessary process re-engineering and strengthening control points. We know that with the advent and evolution of high technology, smart applications / devices and access to internet everyone is in the middle of a digital highway. As we continue using more and more sophisticated technology, to complement and accommodate these changes stringent Information Security is also a requisite. In order to address Information Security related issues, we have a dedicated team which rigorously and persistently functions to combat every possible threat to information security of the bank. The whole objective of this team is to safeguard the bank and its stakeholders from any technological disruption or attack.

To safeguard our environment from the detriments of environmental hazards, our green initiatives are stringently monitored by the Green Banking Unit. While mitigating environmental risks as much as possible, precautionary measures have also been planned. To aptly address any untoward situation, be it human or natural, a thorough Business Continuity Process (BCP) is in place. Now, standing at the threshold of a new year, we would like to concentrate on the quality of our portfolio more than ever, thoroughly assess every individual before boarding in as customer at the same time instill rugged mechanism in the face of external and internal fraud forgery via various channels. BRAC Bank always strives to operate for its customers with utmost sincerity. With the strong conviction to serve our valued customers and stakeholders wholeheartedly, BRAC Bank's unmatched attention to risk mitigation and management is beyond and above the periphery of conventional banking practices in Bangladesh. On the concluding note, we hope to proceed ahead with the philosophy of building a world free from all forms of exploitation and discrimination and intend to bolster the economic growth of our nation on ethical ground, with a mind frame of treating the trust of our valued customers beyond and above everything.

Pattern of Shareholding

As per notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969 the Shareholding Pattern of BRAC Bank Ltd. is given below:

| Sl. | Particulars | Name of Shareholder | No. of Shares | Percentage |
|------------------------------|--|--|--------------------|---------------|
| (i) | Parent : | BRAC | 197,874,032 | 44.64 |
| (ii) | Directors & Sponsors | International Finance Corporation | 20,653,524 | 5.36 |
| | | Sir Fazle Hasan Abed | 4,388 | 0.001 |
| | | Mr. Syed Humayun Kabir | 4,388 | 0.001 |
| | | Mr. A.S. Mahmud | 3,670 | 0.001 |
| | | Mr. Faruq A. Choudhury | 3,670 | 0.001 |
| | | Mr. Md. Aminul Alam | 6,058 | 0.001 |
| | | Dr. Salehuddin Ahmed | 4,387 | 0.001 |
| | | Ms. Nihad Kabir (Independent Director) | 3,670 | 0.001 |
| | | Mr. Muhammad A. (Rume) Ali (Nominated by BRAC) | Nil | Nil |
| | | Dr. Hafiz G.A. Siddiqi (Independent Director) | Nil | Nil |
| | | Ms. Zahida Ispahani (Independent Director) | Nil | Nil |
| | Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children | Mr. Syed Mahbubur Rahman | Nil | Nil |
| | | Mr. Rais Uddin Ahmad | Nil | Nil |
| | | Mr. Mohammad Mamdudur Rashid | Nil | Nil |
| | | Mr. Syed Faridul Islam | Nil | Nil |
| | | Spouses and minor children of above mentioned Executives | Nil | Nil |
| (iii) | Executives | - | Nil | Nil |
| Total Directors and Sponsors | | | 221,655,815 | 50.00 |
| General Shareholders | | | 221,648,761 | 50.00 |
| Total | | | 443,304,576 | 100.00 |

Board Audit Committee

The Board of Directors of BRAC Bank Limited has established an Audit Committee in compliance with BRPD Circular of Bangladesh Bank and the notification of Securities and Exchange Commission with a view to have assistance in continuous review, monitor and assessment of performance of the organization systematically against regulatory requirement, established policies/ processes/ procedures, management of risk and compliance with laws.

Purpose of Audit Committee

Board Audit Committee is a sub-committee of Board and is operated by a charter. Main purpose of the Board Audit Committee is to assist the Board in its oversight of:

- a) ensuring that the financial statement reflect true and fair view of the state of affairs of the company;
- b) ensuring a good monitoring system within the business;
- c) the qualifications, independence and performance of the Company's independent auditor;
- d) the performance of the Company's internal audit function; and
- e) compliance by the Company with legal and regulatory requirements;

Composition of Audit Committee

The Board Audit Committee of BRAC Bank Limited is comprised of three Members of the Board of Directors including two Independent Director. The composition of the present Board Audit Committee is as follows:

| | |
|-----------------------------|-----------|
| Dr. Hafiz G.A. Siddiqi | Chairman |
| Mr. Muhammad A. (Rumee) Ali | Member |
| Ms. Nihad Kabir | Member |
| Mr. Rais Uddin Ahmad | Secretary |

All three of the members are non-executive directors. Dr. Hafiz G.A. Siddiqi and Ms. Nihad Kabir are the independent directors.

Dr. Hafiz G.A. Siddiqi is the Chairman and Independent member of the Committee, educated in Bangladesh, United Kingdom, United States and Switzerland. Dr. Siddiqi has more than 50 years of experience as professor, International Consultant and business executive. In September 2012, Dr. Siddiqi retired as Vice Chancellor after serving North South University (NSU) for almost 20 years in various capacities. Before joining NSU in 1993, Dr. Siddiqi served the institute of Business Administration (IBA), Dhaka University, for about 20 years in various capacities including professor and its Director. Besides, he taught for about eight years at two US Universities, Mankato, Minnesota, USA, as professor of International Business and Management. Dr. Siddiqi worked as International Consultant to (1) World Bank, (2) Asian Development Bank, Manila, (3) UN/ESCAP, Bangkok, (4) International Trade Centre, GATT / UNCTAD, Geneva, and several organizations. The chairman of the committee was personally present at the 14th AGM.

Mr. Muhammad A. (Rumee) Ali is a member of the Committee and he has served at different levels in local and international banking sectors. With his appointment as Country Head and General Manager of ANZ Grindlays in March 1997, Mr. Rumee Ali became the first Bangladeshi to head a major international bank in Bangladesh. In July 2000, following the takeover of ANZ Grindlays by Standard Chartered Bank, Mr. Rumee Ali was appointed CEO of the Standard Chartered Group in Bangladesh., heading both Standard Chartered Bank and Standard Chartered Grindlays Bank. His Banking experience includes stints in India, United Kingdom and Australia. Mr. Rumee Ali was elected a Fellow of the Institute of Bankers, Bangladesh, in 2001.

Prior to joining BRAC in 2007, he served as the Deputy Governor of Bangladesh Bank from 2002 to 2006 and was responsible for Supervision, Anti Money Laundering, Information Technology, Bangladesh Bank Training Academy and Credit Information Bureau. During this period he was also the Project Director of the Central Bank strengthening Project and the Chief Coordinator of Focus Groups on Risk Management Guidelines which initiated major regulatory reforms, particularly in the Risk Management area. Mr. Muhammad A. (Rumee) Ali has expert knowledge of Finance and Accounting and experience to ensure effective financial control, transparency and accuracy of financial data, financial reporting.

The independent member, Ms. Nihad Kabir is an advocate of the Supreme Court of Bangladesh and has more than over 20 years of work experience as a lawyer. She is the Legal Adviser of Centre for Policy Dialogue (CPD) and a member of the Asian Roundtable on Corporate Governance, and World Bank South Asia Region's Chief Economist's Advisory Council. She was also the first legal counsel of the Securities and Exchange Commission.

The Company Secretary of the Bank is the Secretary of the Board Audit Committee and Head of Legal & Regulatory Affairs of the company, concurrently reporting to the Chairman, Board Audit Committee, Board of Directors and the Managing Director.

The Head of Risk Management Division along with Head of Internal Control of the Bank concurrently report to the Chairman, Board Audit Committee and the Managing Director.

Participation of non-members

A representative of Internal Control and/or Risk Management Division attends and participates in meetings of the Committee. The Managing Director and Deputy Managing Director also attend meetings of the Committee, together with pertinent other members of Management as the Committee determines.

Access to the committee

On any matter within the committee's charter, the Head of Internal Control and Head of Risk Management Division have direct access to the Audit Committee.

Roles & Responsibility of Audit Committee

In addition to any other responsibilities which may be assigned from time to time by the Board, the Audit Committee is responsible for the following matters:

a) Internal Control, Compliance, Monitoring and Internal Audit Activities:

Internal Control Activities:

- To evaluate whether management has communicated the importance of internal control & risk management to ensure that all employees understand their roles and responsibilities;
- To review whether internal control strategies, processes recommended by internal and external Auditors have been implemented by the management;
- To monitor and review the existing risk management procedures in order to ensure an effective internal check and control system;
- To review the corrective measures taken by the management with regard to reports relating to fraud-forgery, deficiencies in internal control or other similar issues detected by internal and external auditors and inspectors of the regulatory authority and inform the board on a regular basis;
- To appraise, improve and reinforce the bank's system risk analysis and to ensure that they work in a cost-effective manner;
- To guide implementation of Corporate Governance and e-Governance in the organization;
- To recommend the Board the appointment and removal of the Head of Internal Control and Head of Risk Management Division.

Compliance Activities:

- To establish a compliance culture across the organization through effective control system;
- To establish regulatory guidelines and instructions within the organization;
- To ensure adherence to legal and regulatory requirements;
- To establish, guide and review internal process control systems & documentation;
- To establish Regulatory and External Auditors' recommendation(s) in the organization;
- To monitor effectiveness of compliance system of the organization and to guide for improvement(s).

Monitoring Activities:

To monitor effectiveness of internal control system(s) on an ongoing basis;

- To review Quarterly Operations Report and Exception Report;
- To review credit documentation discrepancy report;
- To guide monitoring team on surprise inspection(s);
- To guide management for improvement of monitoring procedure and activity.

Internal Audit & Inspection Activities:

- To review and approve "Internal Audit Charter";
- To guide and approve "Internal Audit Plan";
- To guide and review "Internal Audit process and Procedure";
- To guide Bank Management body for ensuring compliance on audit recommendation(s) and scope of development;
- To review compliance status of audit recommendation;
- To review annual assessment of the performance of audit and inspection activity;
- To recommend audit findings to be placed to the Board of Directors;
- To review the adequacy of Internal Audit Function.

b) External / Statutory Audit

- To review external auditors' management report / letter and financial audit report;
- To guide bank's management for ensuring compliance with audit recommendation;
- Assist the Board regarding the appointment of the external auditors;
- To oversee hiring and performance of the external auditors.

c) Financial Reporting

- To review the annual financial statements and determine whether those are complete and consistent with the accounting standards set by the regulatory authority;
- To meet with management and the external auditors to review the financial statements before submission;
- To review along with the management, the quarterly and half yearly financial statements before submission to the board for approval;
- To oversee the Financial reporting process;
- To improve the financial reporting quality by ensuring significant adjustments resulting from audit and compliance with accounting standards and that the expenses are not hidden and the off-balance sheet activities do not have any material effect on the situation;
- To discuss earnings, press releases, as well as financial information provided to analysts and rating agencies;
- To discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures;
- To oversee compliance with the statutory financial reporting obligations of the Bank and pertinent processes and policies;
- To assist in financial planning and budgeting as per financial audit;
- To guide bank's management in view of optimum usage and allocation of financial resources.
- To Review the financial statements, in particular the investments made by the subsidiary company.

d) Fraud and Forgery:

- To review Fraud and Forgery Report and advice Management on corrective and preventive action as applicable;
- To advise management on potential threats of fraud and forgery activity.

e) Others:

- To review the adequacy of the Company's insurance coverage;
- To monitor the systems that management has established to implement the Company's information security and business continuity programs (BCP);
- To monitor choice of accounting policies and principles;
- To Review statement of significant related party transactions submitted by the management;

- To monitor the fund raised through Repeat Public Offering (RPO) / Right issue and prepare statement of fund utilized on an annual basis, if necessary.

Audit Committee Meetings:

In general, the Board Audit Committee of the Bank sits once in every two months, but an emergency Board Audit Committee meeting can be called if required. A total of 06 (six) Audit Committee meetings were held during the year 2013. In addition to regular concerns such as review the existing risks & mitigation techniques, compliance culture of management, monitoring internal audit function & financial statements, on time return, findings and recommendations of external & Bangladesh Bank auditors etc., the following issues were given special focus.

| Meeting Date | Attendance | Focus Points |
|--------------|---|---|
| 18/02/2013 | <ul style="list-style-type: none">• Dr. Hafiz G.A Siddiqi• Mr. Muhammad A. (Rume) Ali• Mr. Shib Narayan Kairi• Ms. Nihad Kabir | <ol style="list-style-type: none">1. Know Your Customer (KYC) Policy was placed before the Board Audit Committee and was duly approved and forwarded;2. Enterprise Risk Management Committee (ERMC) Summary was placed before the Board Audit Committee and was duly noted;3. Summary Report on Internal Investigation was placed before the Board Audit Committee. Board suggested that investigation report will outline recommendation based on findings and fact. It was also suggested by Board Audit Committee members to form a committee for assessing the recommendation made in investigation report and take appropriate actions;4. Internal Audit Reports were placed, Board Audit Committee instructed to incorporate analysis in bullet points in each audit slide for clarity and better understanding. The Board Audit Committee expressed its concern at the deteriorating trend in the governance of SME Unit Offices;5. Top-50 Customers of Corporate Portfolio was placed before the Board Audit Committee and was discussed & noted;6. Board asked to submit periodical update on returned rate of Account Opening Form (AOF) for both Retail and SME Business;7. In collaboration with IT, electronic registers should be developed with a view to discontinuing hard copy registers. Board Audit Committee advised to track this initiative and provide the progress report;8. Board members opined that similar audit findings are evident in most of the audit report and advised to present overall audit status |

| Meeting Date | Attendance | Focus Points |
|--------------|--|---|
| 08/04/2013 | <ul style="list-style-type: none"> • Dr. Hafiz G.A Siddiqi • Mr. Muhammad A. (Rume) Ali • Mr. Shib Narayan Kairy • Ms. Nihad Kabir | <ol style="list-style-type: none"> 1. Board Audit Committee expressed dissatisfaction with the Account Opening Form (AOF) Return rate for Retail & SME and wanted the management to identify the reason whether it was work-load, training issue, knowledge gap issue or lack of diligence. The management was advised to work towards reducing the return rate close to “zero” percent in near future. The CEO confirmed that appropriate steps including training and monthly governance meeting are being arranged to bring down return rate in Retail and SME below 10%; 2. The Board Audit Committee instructed the management to form an “Audit Review Committee” headed by CEO; this committee will review all level audit reports to implement the action items as per audit findings & recommendations; 3. The Board Audit Committee asked to review one or two legacy audit findings to ascertain the chronological improvement /changes; 4. The Board Audit Committee instructed the management to submit update about the various registers used in SME unit; 5. Corporate Governance (CG) Policy was placed before the Board Audit Committee and was duly noted. The Audit Committee requested Ms. Nihad Kabir to review the CG policy and suggest necessary changes /improvements, after which it is to be placed at the Board Meetings for approval. 6. Enterprise Risk Management Committee (ERMC) Summary was placed and the Committee members were apprised on the recent ATM skimming at Uttara ATM booth, the e-Commerce vulnerability and also the progress on "3D Secure System implementation for Ecommerce" to make e-commerce transaction more secure. The Audit Committee instructed management to implement following: <ul style="list-style-type: none"> o Maximum daily limit threshold. o Maximum daily transaction number. o Review and revamp end-to-end process for e-commerce. 7. Fraud / Forgery & Operational Loss Report were placed before the Board Audit Committee and was discussed & noted. 8. The Board Audit Committee suggested overall audit rating of different branches/units needs to be improved and expressed dissatisfaction at high number of "FAIR" audit rating. Board Audit Committee instructed the Management to submit an analytical report identifying the root cause for deterioration in audit rating. 9. Top-50 Customers of Corporate Portfolio was placed before the Board Audit Committee and was discussed & noted. 10. Management Letter from Hoda Vasi Chwodhury & Co in respect of Financial Statements ended 31 December 2012 was duly discussed and noted. The Board Audit Committee noted the findings and asked to complete the formal impairment assessment of indefinite life intangibles (goodwill) in accordance with BRFS3 and BAS 36. |

| Meeting Date | Attendance | Focus Points |
|--------------|---|---|
| 10/06/2013 | <ul style="list-style-type: none"> • Dr. Hafiz G.A Siddiqi • Mr. Muhammad A. (Rume) Ali • Mr. Shib Narayan Kairy | <ol style="list-style-type: none"> 1. The Committee inquired about the set guideline for acquiring new premises; the Management confirmed that a checklist is in use for selecting new premises. The Committee advised the Management to implement procedure for monitoring subsequent developments. The Management mentioned that branch manager/unit in charge is responsible for periodic monitoring and reporting of infrastructural risk issues to Infrastructural Development team. 2. The Audit Committee advised to include infrastructural risks as part of the TOR (terms of reference) of regular audit. 3. Board Audit Committee instructed the management to notify board immediately about any potential risks that pose serious threat on infrastructure, building and/or environment. 4. Board Audit Committee suggested considering the size of the exposure while rating a branch as per audit findings. Repeat audit should be done within next 3 months if a large branch is rated as “marginal” in audit. 5. Board Audit Committee instructed for a strict monitoring for the “marginal” rated branches/units. 6. Approval memo on ERM Policy was placed before the Board Audit Committee and was duly noted. The Audit Committee advised the Management to incorporate the ‘Leading Key Risk Indicators’(LKRI) in the policy document; it also suggested to make required amendments with regards to clarity of role, responsibilities and existence of Chief Risk Officer (CRO) and Head of RMD in proposed ERM policy. 7. Fraud / Forgery & Operational Loss Report was placed before the Board Audit Committee and was discussed & noted. 8. Procurement Pre-Audit Report was placed before the Board Audit Committee and was discussed & noted. |
| 07/08/2013 | <ul style="list-style-type: none"> • Dr. Hafiz G.A Siddiqi • Mr. Shib Narayan Kairy | <ol style="list-style-type: none"> 1. Committee member asked management to complete the formal impairment assessment of indefinite life intangibles (goodwill) in accordance with BRFS 03 and BAS 36. Management confirmed that Finance division had invited few SEC listed renowned Chartered Accountants Firms namely- KPMG Rahman Rahman Huq, Ahmad & Akter, A. WAHAB & CO., A B SAHA & CO., Appointment and the assignment shall be finalized. |

| Meeting Date | Attendance | Focus Points |
|--------------|--|--|
| | | <p>2. ERM Policy (Revised) was placed before the Board Audit Committee and was duly noted. The board audit committee suggested that as HoRMD is responsible for Enterprise Risk Management (ERM) as well as Internal Control (IC), he/she (HoRMD) should continue to be reportable directly to Board Audit Committee, since it is a regulatory requirement. The Committee recommended the ERM Policy to be presented to the Board for approval. ERM policy has been revised and placed to board as per the recommendation of BAC.</p> <p>3. Enterprise Risk Management Committee (ERMC) Summary was placed to Board Audit Committee and was noted. The Committee suggested doing a health check for KYC and correctness of account opening formalities for SME CASA accounts.</p> <p>4. Fraud / Forgery & Operational Loss Report was placed before the Board Audit Committee and was discussed & noted. The Committee reiterated the importance to continue to pursue legal proceedings against the fraudsters.</p> <p>5. The Committee advised the Management to issue a cautionary letter to respective Unit Manager and Zonal Manager (ZM) for deterioration of audit rating to Fair/Marginal for any unit offices under their supervision .</p> <p>The Committee instructed management to issue warning letter to concerned Branch Manager (BM) if audit rating downgrades from previous year's rating (i.e. Satisfactory to Fair, Fair to Marginal etc).</p> <p>6. The Committee reiterated the importance of timely escalation of different risk issues relating to E-Commerce & IT system issues and subsequent activities for their mitigation.</p> |
| 27/10/2013 | <ul style="list-style-type: none"> • Dr. Hafiz G.A Siddiqi • Ms. Nihad Kabir | <p>1. Management provided following updates on previous directives:</p> <ul style="list-style-type: none"> • Monitoring building/premises development: Premises checklist is being prepared by the concerned branch/unit in-charges and forwarded to IDM regularly on monthly basis, subsequently IDM reviews those checklists and takes appropriate actions to mitigate infrastructural/premises risk on identification. • Review of Corporate Governance policy Company Secretariat, Legal & Regulatory Affairs has reviewed the Corporate Governance policy and has made requisite additions such as incorporation of board "Terms of Reference" and "Code of Conduct" as advised. The document has been placed for approval at the Board and the same was duly approved. • 3D secure system implementation for e-commerce Txn. <ul style="list-style-type: none"> o Debit Cards will be 3Des enabled in phases; may take up to Dec'14 to complete. o The Management is in consultation with VISA and MasterCard regarding work progress; at present we are working with 3rd Party Vendors. |

| Meeting Date | Attendance | Focus Points |
|--------------|--|---|
| | | <ul style="list-style-type: none"> E-commerce Parameter Management (Debit System/IRIS) : <ul style="list-style-type: none"> Maximum daily limit threshold - Completed and Implemented on 6th Sept'13 Maximum daily transaction number - Completed and Implemented on 6th Sept '13 End-to-end e-Commerce Process review is completed and ready for Circulation. 2. Company Secretary and Head of Legal & Regulatory Affairs provided update on KYC and ongoing CTR project which is scheduled to be completed by June 2014. Committee instructed the management to submit a clear "Road map" incorporating month-on-month improvement status on CTR and submit updates in next BAC. 3. Fraud Forgery and Operational Loss Report was placed before Board Audit Committee and was noted. The Management provided updates on robbery incident (BDT 10 million) at Sylhet. Committee members instructed stern action against the responsible individuals, who has jeopardized Bank's reputation. Committee also instructed Management to ensure proper accountability. |
| 29/12/2013 | <ul style="list-style-type: none"> Dr. Hafiz G.A Siddiqi Ms. Nihad Kabir | <ol style="list-style-type: none"> 1. Service Quality Report, Technology Incident (System Downtime) Report, Fraud / Forgery & Operational Loss Report were placed before the Board Audit Committee and were noted. The Committee advised to initiate legal proceeding along with departmental punishment against employee found to be involved in fraud/forgery. Call center executive should be brought under disciplinary processes for their failure in applying due diligence. Terms & Condition of Internet Banking (IB) needs to be reviewed so that bank's interest can be ensured in case of any fraud transaction due to SIM replacement. 2. Internal Audit Reports on 35 SME Unit Offices, 14 Branches, 14 SME Krishi Branches and 6 SME Service Centers were placed before the Board Audit Committee and were discussed & noted. The Committee instructed that concerned staff responsible for audit rating downgrading should be penalized during annual performance rating. 3. The Board Audit Committee reviewed Internal Audit Reports on IT and Internal Audit Reports on Top-50 Customers of Corporate Portfolio. 4. ERM Summary, Audit Review Committee Meeting Minutes and Employee Disciplinary Action Committee (EDAC) Meeting Minutes, Account Review Committee (ARC) Meeting Minutes were also reviewed and discussed. |

Reporting to the Board

1. The Audit Committee regularly reports on its activities to the Board of Directors following each meeting.
2. The Audit Committee immediately reports to the Board of Directors in case of any of the following findings is observed -
 - Report on conflict of interests;
 - Suspected or presumed fraud or irregularity or material defect in the internal control system;
 - Suspected infringement of laws, including securities related laws, rules and regulations;
 - Any other matter which shall be disclosed to board immediately

In addition, the Committee also provides:

- Copies of its minutes to the Board;
- A report annually to the Board/ Shareholder;
- Additional reporting as the Board may require.

In reviewing the Company's policies and practices with respect to assessment of the various Internal Audit reports, it is evident that BRAC Bank Limited has continued to be efficient in internal control over financial reporting for the year ended December 31, 2013. The annual and interim financial statements are disclosed in the Bank's official website. Since most of the computation is system based, the possibility of manipulation is almost absent. The committee has selected Bangladesh Standards of Auditing (BSA) and Bangladesh Financial Reporting Standards (BFRS) as the accounting standard and accordingly the financial statement clearly states the compliance of GAAP, SEC and Bangladesh Bank guideline. Therefore, Audit Committee acknowledges the splendid support of Members of the Board, Management, Finance and Internal & External Auditors from their respective work arena.

Hafiz G. A. Siddiqi

Dr. Hafiz G.A. Siddiqi

Chairman, Board Audit Committee

FINANCIAL STATEMENTS

**AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2013**

Independent Auditor's Report to the Shareholders of BRAC Bank Limited

We have audited the accompanying consolidated financial statements of BRAC Bank Limited and its subsidiaries (together referred to as 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 2013, consolidated and separate profit and loss accounts, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements of the Group and also separate financial statements of the Bank that give a true and fair view in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in Note 2 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements of the Group and also separate financial statements of the Bank that are free from material misstatement, whether due to fraud or error. The Bank Company Act, 1991 and the local central bank (Bangladesh Bank) Regulations require the Management to ensure effective internal audit, internal control and risk management functions of the Bank. The Management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements of the Group and separate financial statements of the Bank. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements of the Group and the separate financial statements of the Bank, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements of the Group and separate financial statements of the Bank that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements of the Group and the separate financial statements of the Bank.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and also separate financial statements of the Bank give a true and fair view of the consolidated financial position of the Group and the separate financial position of the Bank as at 31 December 2013, and of its consolidated and separate financial performance and cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in Note 2.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act, 1994, 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 Responsibility 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 Management's Responsibility 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 Note 2 to 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 of all subsidiaries of the Bank have been audited by us as well as other auditors and have been properly reflected in the consolidated financial statements;
- (iv) in our opinion, proper books of account as required by law have been kept by the Group and the Bank so far as it appeared from our examination of those books and proper returns adequate for the purpose of our audit have been received from branches not visited by us;
- (v) the consolidated balance sheet and consolidated profit and loss account of the Group and the separate balance sheet and separate profit and loss account of the Bank together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- (vi) the expenditures incurred was for the purpose of the Bank's business;
- (vii) 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;
- (viii) adequate provisions have been made for advance and other assets which are in our opinion, doubtful of recovery;
- (ix) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (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 we have spent around 3,640 person hours during the audit; and
- (xii) Capital Adequacy Ratio (CAR) as required by the Bangladesh Bank has been maintained adequately during the year.

Hoda Vasi Chowdhury

Hoda Vasi Chowdhury & Co

Chartered Accountants

Dhaka, 27 February 2014

BRAC BANK LIMITED
Consolidated Statement of Financial Position
As at 31 December 2013

| | Note | 2013 Taka | 2012 Taka |
|---|--------|------------------------|------------------------|
| PROPERTY AND ASSETS | | | |
| Cash | 3.a | 17,145,674,282 | 13,581,915,641 |
| Cash in hand | | 8,526,841,263 | 4,750,845,270 |
| (Including foreign currency) | | | |
| Balance with Bangladesh Bank and its agent Bank(s) | | 8,618,833,020 | 8,831,070,371 |
| (Including foreign currency) | | | |
| Balance with other Banks and Financial Institutions | 4.a | 11,502,822,058 | 10,978,155,044 |
| Inside Bangladesh | | 9,214,178,364 | 10,338,261,494 |
| Outside Bangladesh | | 2,288,643,694 | 639,893,550 |
| Money at call and short notice | 5.a | - | - |
| Investments | 6.a | 21,483,906,130 | 25,463,079,931 |
| Government | | 19,365,124,617 | 21,858,309,744 |
| Others | | 2,118,781,513 | 3,604,770,187 |
| Loans and advances | 7.a | 119,514,547,936 | 114,086,283,173 |
| Loans, cash credit, overdrafts etc. | | 118,683,980,593 | 113,485,146,984 |
| Bills purchased & discounted | | 830,567,343 | 601,136,190 |
| Fixed assets including premises, furniture and fixtures | 8.a | 2,792,707,112 | 2,861,824,309 |
| Other assets | 9.a | 11,664,448,733 | 11,997,406,400 |
| Non-banking assets | 10 | - | - |
| Goodwill | 11.a | 1,472,292,272 | 1,427,468,912 |
| Total Property and Assets | | 185,576,398,523 | 180,396,133,411 |
| LIABILITIES AND CAPITAL | | | |
| Liabilities | | | |
| Borrowings from other banks, financial institutions & agents | 12.a | 15,099,564,380 | 4,918,169,184 |
| Borrowings from Central Bank | 13.a | 1,437,826,249 | 4,526,502,247 |
| Convertible Subordinate Bonds | 14.a | 3,000,000,000 | 3,000,000,000 |
| Money at Call and Short notice | 15.a | 2,847,513,000 | 1,990,000,000 |
| Deposits and other accounts | 16.a | 126,679,221,827 | 134,244,989,307 |
| Current accounts & other accounts | | 45,686,654,323 | 42,141,724,262 |
| Bills payable | | 991,931,891 | 1,693,298,032 |
| Savings deposits | | 20,738,609,556 | 18,130,936,581 |
| Fixed deposits | | 59,077,741,206 | 71,999,644,228 |
| Other deposits | | 184,284,852 | 279,386,204 |
| Other liabilities | 17.a | 22,635,237,004 | 20,241,603,354 |
| Total Liabilities | | 171,699,362,460 | 168,921,264,092 |
| Capital and Shareholders' Equity | | | |
| Paid up share capital | 18.2 | 4,433,045,760 | 3,854,822,400 |
| Preference share capital | | - | - |
| Share premium | 18.8.a | 2,133,446,272 | 1,740,102,253 |
| Statutory reserve | 19.a | 3,281,594,097 | 2,934,017,286 |
| Revaluation reserve | 20.a | 744,701,943 | 558,121,126 |
| Share money deposit | 20.b | 23,715,983 | 23,741,603 |
| Surplus in profit and loss account/Retained Earnings | 21.a | 2,407,550,889 | 1,914,456,975 |
| Total shareholders' equity | | 13,024,054,944 | 11,025,261,642 |
| Minority Interest | 22 | 852,981,119 | 449,607,676 |
| Total equity | | 13,877,036,063 | 11,474,869,319 |
| Total Liabilities and Shareholders' Equity | | 185,576,398,523 | 180,396,133,411 |

BRAC BANK LIMITED
Consolidated Off Balance Sheet Items
As at 31 December 2013

| | 2013 Taka | 2012 Taka |
|---|-----------------------|-----------------------|
| Contingent Liabilities | | |
| Acceptances and endorsements | 6,566,695,163 | 149,723,080 |
| Letter of guarantees | 6,383,222,685 | 4,740,297,069 |
| Irrevocable letter of credits | 11,572,885,095 | 10,958,226,141 |
| Bills for collection | 513,609,666 | 405,799,599 |
| Tax liability | 143,894,928 | 143,894,928 |
| Other contingent liabilities | 3,044,281,070 | 1,748,952,115 |
| Total Contingent Liabilities | 28,224,588,607 | 18,146,892,932 |
| Other Commitments | | |
| Documentary credits and short term trade related transactions | - | - |
| Forward assets purchased and forward deposits placed | - | - |
| Undrawn note issuance and revolving underwriting facilities | 28,800,000 | 159,000,000 |
| Undrawn formal standby facilities, credit lines and other | - | - |
| Commitments- lease hold assets | - | - |
| Total Other Commitments | 28,800,000 | 159,000,000 |
| Total Off-Balance Sheet items including contingent liabilities | 28,253,388,607 | 18,305,892,932 |



Managing Director &
CEO



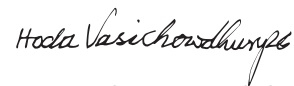
Director



Director



Chairman



Hoda Vasi Chowdhury & Co
Chartered Accountants

Dhaka; 27 February 2014

BRAC BANK LIMITED
Statement of Financial Position
As at 31 December 2013

| | Note | 2013 Taka | 2012 Taka |
|---|-------------|------------------------|------------------------|
| PROPERTY AND ASSETS | | | |
| Cash | 3 | 17,144,310,884 | 13,580,670,498 |
| Cash in hand | | 8,525,477,864 | 4,749,600,127 |
| (Including foreign currency) | | | |
| Balance with Bangladesh Bank and its agent Bank(s) | | 8,618,833,020 | 8,831,070,371 |
| (Including foreign currency) | | | |
| Balance with other Banks and Financial Institutions | 4 | 15,838,931,243 | 15,320,967,135 |
| Inside Bangladesh | | 8,916,887,987 | 9,904,922,299 |
| Outside Bangladesh | | 6,922,043,256 | 5,416,044,836 |
| Money at call and short notice | 5 | - | - |
| Investments | 6 | 21,298,625,661 | 25,372,525,282 |
| Government | | 19,365,124,617 | 21,858,309,744 |
| Others | | 1,933,501,044 | 3,514,215,538 |
| Loans and advances | 7 | 102,728,920,850 | 103,624,437,957 |
| Loans, cash credit, overdrafts etc. | | 101,898,353,507 | 103,023,301,767 |
| Bills purchased & discounted | | 830,567,343 | 601,136,190 |
| Fixed assets including premises, furniture and fixtures | 8 | 2,443,303,555 | 2,591,451,880 |
| Other assets | 9 | 12,447,577,446 | 13,186,739,278 |
| Non-banking assets | 10 | - | - |
| Total Property and Assets | | 171,901,669,638 | 173,676,792,029 |
| LIABILITIES AND CAPITAL | | | |
| Liabilities | | | |
| Borrowings from other banks, financial institutions & agents | 12 | 7,479,234,422 | 39,559,407 |
| Borrowings from Central Bank | 13 | 1,437,826,249 | 4,526,502,247 |
| Convertible Subordinate Bonds | 14 | 3,000,000,000 | 3,000,000,000 |
| Money at Call and Short notice | 15 | 2,847,513,000 | 1,990,000,000 |
| Deposits and other accounts | 16 | 124,746,344,037 | 134,646,448,482 |
| Current accounts & other accounts | | 39,125,148,916 | 42,404,819,298 |
| Bills payable | | 991,931,891 | 1,693,298,032 |
| Savings deposits | | 20,832,605,144 | 18,173,398,623 |
| Fixed deposits | | 63,612,373,233 | 72,095,546,325 |
| Other deposits | | 184,284,852 | 279,386,204 |
| Other liabilities | 17 | 20,803,298,461 | 19,319,733,341 |
| Total Liabilities | | 160,314,216,168 | 163,522,243,477 |
| Capital and Shareholders' Equity | | | |
| Paid up share capital | 18.2 | 4,433,045,760 | 3,854,822,400 |
| Share premium | 18.7 | 1,406,000,000 | 1,406,000,000 |
| Statutory reserve | 19 | 3,281,594,097 | 2,934,017,286 |
| Revaluation reserve | 20 | 744,701,943 | 558,121,126 |
| Surplus in profit and loss account/Retained Earnings | 21 | 1,722,111,670 | 1,401,587,740 |
| Total shareholders' equity | | 11,587,453,470 | 10,154,548,552 |
| Total Liabilities and Shareholders' Equity | | 171,901,669,638 | 173,676,792,029 |

BRAC BANK LIMITED
Off Balance Sheet Items
As at 31 December 2013

| | Note | 2013 Taka | 2012 Taka |
|---|-----------|-----------------------|-----------------------|
| Contingent Liabilities | | | |
| Acceptances and endorsements | | 6,566,695,163 | 149,723,080 |
| Letter of guarantees | | 6,383,222,685 | 4,740,297,069 |
| Irrevocable letter of credits | | 11,572,885,095 | 10,958,226,141 |
| Bills for collection | | 513,609,666 | 405,799,599 |
| Tax liability | 23.6 | 143,894,928 | 143,894,928 |
| Other contingent liabilities | | 3,044,281,070 | 1,748,952,115 |
| Total Contingent Liabilities | 23 | 28,224,588,607 | 18,146,892,932 |
| 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 Other Commitments | | - | - |
| Total Off-Balance Sheet items including contingent liabilities | | 28,224,588,607 | 18,146,892,932 |



Managing Director &
CEO



Director



Director



Chairman



Hoda Vasi Chowdhury & Co
Chartered Accountants

Dhaka; 27 February 2014

BRAC BANK LIMITED
Consolidated Statement of Profit or Loss and other Comprehensive Income
For the year ended 31 December 2013

| Particulars | Note | 2013 Taka | 2012 Taka |
|--|------|-----------------------|-----------------------|
| Interest income | 25.a | 18,715,692,063 | 17,528,045,159 |
| Interest paid on deposits and borrowing etc. | 26.a | 11,378,701,188 | 10,703,575,883 |
| Net interest income | | 7,336,990,875 | 6,824,469,276 |
| Investment income | 27.a | 2,766,048,421 | 1,535,945,862 |
| Commission, exchange and brokerage | 28.a | 3,567,356,522 | 2,964,000,773 |
| Other operating income | 29.a | 736,633,034 | 432,439,952 |
| Total operating income | | 14,407,028,852 | 11,756,855,863 |
| Salaries and allowances | 30 | 3,375,600,927 | 2,811,069,919 |
| Rent, taxes, insurance, electricity etc. | 31.a | 910,750,021 | 724,180,923 |
| Legal expenses | 32 | 87,527,967 | 38,191,360 |
| Postage, stamps, telecommunication etc. | 33.a | 259,050,809 | 224,191,903 |
| Stationery, printing, advertisement etc. | 34.a | 897,981,495 | 239,889,154 |
| Chief Executive's salary & fees | | 12,954,750 | 11,921,417 |
| Directors' fees & expenses | 35.a | 3,994,064 | 3,526,900 |
| Auditors' fee | 36.a | 3,233,067 | 2,842,161 |
| Impairment of goodwill | | 30,046,781 | - |
| Depreciation on and repairs to bank's assets | 37.a | 1,266,468,354 | 1,143,521,168 |
| Other expenses | 38.a | 1,418,216,304 | 1,151,410,073 |
| Total operating expenses | | 8,265,824,538 | 6,350,744,978 |
| Profit/(loss) before provisions | | 6,141,204,313 | 5,406,110,885 |
| Provision for: | | | |
| Loans and advances | 39.a | 2,865,261,844 | 2,953,867,367 |
| Diminution in value of investments | | 47,500,000 | 276,133,403 |
| Off balance sheet items | | 20,941,567 | - |
| Others | | - | - |
| Total provision | | 2,933,703,411 | 3,230,000,770 |
| Profit/(loss) before taxes | | 3,207,500,902 | 2,176,110,115 |
| Provision for Tax: | | | |
| Current tax expense | | 1,994,013,810 | 1,595,434,751 |
| Deferred tax expense/ (income) | | (125,864,238) | (119,108,931) |
| Total provision for Tax | 40.a | 1,868,149,572 | 1,476,325,820 |
| Total profit/(loss) after taxes | | 1,339,351,330 | 699,784,295 |
| Appropriations: | | | |
| Statutory reserve | | 347,576,811 | 397,585,824 |
| General reserve | | - | - |
| Dividend etc. | | - | - |
| | | 347,576,811 | 397,585,824 |
| Retained earnings | | 991,774,519 | 302,198,471 |
| Attributable to: | | | |
| Equity holders of BRAC Bank Ltd. | | 1,071,808,041 | 307,978,207 |
| Minority interest | | (80,033,522) | (5,779,736) |
| | | 991,774,520 | 302,198,471 |
| EPS | 41.a | 3.20 | 1.52 |



Managing Director &
CEO



Director



Director



Chairman



Hoda Vasi Chowdhury & Co

Chartered Accountants

Dhaka; 27 February 2014

BRAC BANK LIMITED
Statement of Profit or Loss and other Comprehensive Income
For the Year ended 31 December 2013

| Particulars | Note | 2013 Taka | 2012 Taka |
|--|------|-----------------------|-----------------------|
| Interest income | 25 | 17,711,573,893 | 16,713,568,904 |
| Interest paid on deposits and borrowing etc. | 26 | 11,042,602,024 | 10,195,401,072 |
| Net interest income | | 6,668,971,869 | 6,518,167,832 |
| Investment income | 27 | 2,672,221,040 | 1,530,962,408 |
| Commission, exchange and brokerage | 28 | 2,609,498,962 | 2,525,466,576 |
| Other operating income | 29 | 510,143,529 | 320,204,951 |
| Total operating income | | 12,460,835,400 | 10,894,801,767 |
| Salaries and allowances | | 2,801,760,345 | 2,519,815,735 |
| Rent, taxes, insurance, electricity etc. | 31 | 852,027,480 | 659,435,061 |
| Legal expenses | | 67,910,910 | 31,384,698 |
| Postage, stamps, telecommunication etc. | 33 | 200,248,690 | 169,498,124 |
| Stationery, printing, advertisement etc. | 34 | 273,898,858 | 221,169,733 |
| Chief Executive's salary & fees | | 12,954,750 | 11,921,417 |
| Directors' fees & expenses | 35 | 523,862 | 511,750 |
| Auditors' fee | 36 | 900,000 | 867,800 |
| Depreciation on and repairs to bank's assets | 37 | 1,127,039,107 | 1,054,578,655 |
| Other expenses | 38 | 1,198,694,630 | 1,080,422,787 |
| Total operating expenses | | 6,535,958,634 | 5,749,605,759 |
| Profit/(loss) before provisions | | 5,924,876,766 | 5,145,196,008 |
| Provision for: | | | |
| Loans and advances | 39 | 2,831,630,957 | 2,881,133,485 |
| Diminution in value of investments | | 47,500,000 | 276,133,403 |
| Off balance sheet items | | 20,941,567 | - |
| Others | | - | - |
| Total provision | | 2,900,072,524 | 3,157,266,888 |
| Profit/(loss) before taxes | | 3,024,804,243 | 1,987,929,120 |
| Provision for Tax: | | | |
| Current tax expense | | 1,797,698,269 | 1,530,000,000 |
| Deferred tax expense/ (income) | | (19,218,128) | (82,451,971) |
| Total provision for Tax | 40.1 | 1,778,480,141 | 1,447,548,029 |
| Total profit/(loss) after taxes | | 1,246,324,101 | 540,381,091 |
| Appropriations: | | | |
| Statutory reserve | | 347,576,811 | 397,585,824 |
| General reserve | | - | - |
| Dividend etc. | | - | - |
| | | 347,576,811 | 397,585,824 |
| Retained earnings | | 898,747,290 | 142,795,267 |
| Basic earnings per share | 41 | 2.81 | 1.14 |



Managing Director &
CEO



Director



Director



Chairman



Hoda Vasi Chowdhury & Co

Chartered Accountants

Dhaka; 27 February 2014

BRAC BANK LIMITED
Consolidated Statement of Cash Flows
For the Year ended 31 December 2013

| | Note | 2013 Taka | 2012 Taka |
|--|------|------------------------|-------------------------|
| A. Cash flows from operating activities | | | |
| Interest receipts | | 21,258,240,014 | 18,550,350,922 |
| Interest payment | | (11,984,853,512) | (10,951,162,753) |
| Dividends receipts | | 71,728,547 | 58,256,966 |
| Fees & commissions receipts | | 6,974,267,009 | 3,649,224,285 |
| Cash payments to employees | | (6,734,160,635) | (2,959,633,267) |
| Cash payments to suppliers | | (676,971,371) | (841,403,139) |
| Income tax paid | | (1,771,189,038) | (1,435,010,399) |
| Receipts from other operating activities | 43.a | 828,626,462 | 272,847,411 |
| Payment for other operating activities | 44.a | (2,901,846,308) | (2,118,273,025) |
| Operating profit/(loss) before changes in operating assets and liabilities (i) | | 5,063,841,169 | 4,225,197,001 |
| Increase/decrease in operating assets & liabilities | | | |
| Loans and advances | | (5,291,486,493) | (16,512,011,301) |
| Other assets | | 1,426,839,014 | (1,275,921,151) |
| Deposits from customers | | (6,712,659,030) | 30,444,275,904 |
| Other liabilities | | (2,720,509,410) | (1,493,901,261) |
| Cash utilised in operating assets & liabilities (ii) | | (13,297,815,919) | 11,162,442,191 |
| Net cash (used)/flows from operating activities (i+ii) | | (8,233,974,750) | 15,387,639,192 |
| B. Cash flows from investing activities | | | |
| Treasury bills | | (2,417,715,154) | (1,275,747,828) |
| Bangladesh Bank Bills | | 4,908,105,325 | (6,967,625,583) |
| Investment in bonds | | (49,602,516) | 926,085,811 |
| Encumbured Securities | | 3,887,179,874 | (4,369,480,954) |
| Treasury bonds | | (3,511,943,084) | 892,508,788 |
| Sale/ (Investment) in shares | | 1,626,270,981 | - |
| Investment in debenture | | - | - |
| Investment in bonds | | - | - |
| Investment in zero coupon bonds | | - | - |
| Investment in prize bond | | 719,800 | (930,100) |
| Acquisition of fixed assets | | (64,730,254) | (509,186,554) |
| Purchase of intangible assets | | (7,453,748) | - |
| Disposal of fixed Assets | | 34,309,787 | 9,332,708 |
| Bank interest received | | 1,933,644 | - |
| Net cash used in investing activities | | 4,407,074,654 | (11,295,043,712) |
| C. Cash flows from financing activities | | | |
| Payment for lease finance | | (378,240) | (378,240) |
| Proceeds from issue of ordinary shares | | 9,744,900 | 24,950,000 |
| Proceeds from issue of preference shares | | - | (350,000,000) |
| Share premium | | 919,440,568 | 366,765,000 |
| Advance received | | 109,280,340 | - |
| Proceeds from agent and customer deposit | | 3,025,605,669 | - |
| Bank Charge | | (2,512,849) | - |
| Borrowings from other banks/institutions | | (100,946,555) | (897,662,105) |
| Payment of dividend on preference share | | - | (33,468,750) |
| Money at call and short notice | | 857,513,000 | 1,990,000,000 |
| Borrowings from Bangladesh Bank | | (3,088,675,998) | 2,993,131,063 |
| Share money deposit | | 32 | (102,250,745) |
| Donor grant received / (used) | | (130,476,984) | 119,162,011 |
| Cash Dividend | | (214,272) | (843,415) |
| Net cash flows from financing activities | | 1,598,379,610 | 4,109,404,819 |
| Net increase/decrease in cash | | (2,228,520,486) | 8,202,000,299 |
| Cash and cash equivalents at beginning of year | | 30,877,016,827 | 16,358,070,386 |
| Cash and cash equivalents at end of period | 42.a | 28,648,496,341 | 24,560,070,685 |
| Cash and cash equivalents at end of the period: | | | |
| Cash in hand (including foreign currency) | | 8,526,841,263 | 4,750,845,270 |
| Balance with Bangladesh Bank and its agents bank(s) (including foreign currency) | | 8,618,833,020 | 8,831,070,371 |
| Balance with other banks and financial institutions | | 11,502,822,058 | 10,978,155,044 |
| Money at call and short notice | | - | - |
| | | 28,648,496,341 | 24,560,070,685 |

BRAC BANK LIMITED
Statement of Cash Flows
For the Year ended 31 December 2013

| | Note | 2013 Taka | 2012 Taka |
|--|------|------------------------|-------------------------|
| A. Cash flows from operating activities | | | |
| Interest receipts | | 20,065,816,199 | 17,950,764,671 |
| Interest payment | | (11,169,965,748) | (10,246,234,577) |
| Dividends receipts | | 70,514,316 | 58,256,966 |
| Fees & commissions receipts | | 2,609,498,962 | 2,525,466,576 |
| Cash payments to employees | | (2,724,703,163) | (2,485,918,472) |
| Cash payments to suppliers | | (427,199,979) | (388,440,112) |
| Income tax paid | | (1,697,488,124) | (1,380,511,177) |
| Receipts from other operating activities | 43 | 683,049,812 | 328,332,822 |
| Payment for other operating activities : | 44 | (2,700,768,597) | (1,902,694,746) |
| Operating profit/(loss) before changes in operating assets and liabilities (i) | | 4,708,753,679 | 4,459,021,952 |
| Increase/decrease in operating assets & liabilities | | | |
| Loans and advances | | 895,517,107 | (12,802,263,292) |
| Other assets | | 1,513,012,201 | (1,302,802,342) |
| Deposits from customers | | (9,900,104,445) | 30,920,919,257 |
| Other liabilities | | (2,897,037,000) | (1,419,631,875) |
| Cash utilised in operating assets & liabilities (ii) | | (10,388,612,138) | 15,396,221,748 |
| Net cash (used)/flows from operating activities (i+ii) | | (5,679,858,459) | 19,855,243,700 |
| B. Cash flows from investing activities | | | |
| Treasury bills | | (2,417,715,154) | (1,275,747,828) |
| Bangladesh Bank Bills | | 4,908,105,325 | (6,967,625,583) |
| Treasury bonds | | (3,511,943,084) | 926,085,811 |
| Encumbured Securities | | 3,887,179,874 | (4,369,480,954) |
| Sale/ (Investment) in shares | | 1,580,714,494 | 392,658,720 |
| Investment in debenture | | - | - |
| Investment in bonds | | - | - |
| Investment in zero coupon bonds | | - | 392,658,720 |
| Investment in Bonds | | - | - |
| Investment in prize bond | | 719,800 | (930,100) |
| Acquisition of fixed assets | | 75,094,169 | (397,780,010) |
| Disposal of Fixed Assets | | 31,009,787 | 9,332,708 |
| Net cash used in investing activities | | 4,553,165,210 | (11,683,487,236) |
| C. Cash flows from financing activities | | | |
| Proceeds from issue of ordinary shares | | - | - |
| Proceeds from issue of preference shares | | - | - |
| Proceeds from issue of right shares | | - | - |
| Share Premium | | - | - |
| Payment of dividend on preference share | | - | - |
| Payment for lease finance | | - | - |
| Borrowings from other banks | | 7,439,675,014 | (610,440,593) |
| Proceeds from issue of Preference shares | | - | (350,000,000) |
| Proceeds from issue of Subordinate Debts | | - | - |
| Payment of dividend on preference share | | - | (33,468,750) |
| Money at call and short notice | | 857,513,000 | 1,990,000,000 |
| Borrowings from Bangladesh Bank | | (3,088,675,998) | 4,064,619,630 |
| Dividend paid | | (214,272) | (843,415) |
| Net cash flows from financing activities | | 5,208,297,744 | 5,059,866,872 |
| Net increase/decrease in cash | | 4,081,604,495 | 13,231,623,336 |
| Cash and cash equivalents at beginning of year | | 28,901,637,632 | 15,670,014,296 |
| Cash and cash equivalents at end of period | 42 | 32,983,242,127 | 28,901,637,632 |
| Cash and cash equivalents at end of the period: | | | |
| Cash in hand (including foreign currency) | | 8,525,477,864 | 4,749,600,127 |
| Balance with Bangladesh Bank and its agents bank(s) (including foreign currency) | | 8,618,833,020 | 8,831,070,371 |
| Balance with other banks and financial institutions | | 15,838,931,243 | 15,320,967,135 |
| Money at call and short notice | | - | - |
| | | 32,983,242,127 | 28,901,637,632 |

BRAC BANK LIMITED
Consolidated Statement of Changes in Equity
For the year ended 31 December 2013

Amount in Taka

| Particulars | Paid up share capital | Preference share capital | Share Premium | Statutory Reserve | Exchange Equalization Reserve | Revaluation Reserve | Share money deposit | Retained Earnings | Minority Interest | Total |
|---|-----------------------|--------------------------|----------------------|----------------------|-------------------------------|---------------------|---------------------|----------------------|--------------------|-----------------------|
| Balance at 01 January 2013 | 3,854,822,400 | - | 1,740,102,253 | 2,934,017,286 | - | 558,121,126 | 23,741,603 | 1,914,456,975 | 449,607,678 | 11,474,869,320 |
| Net profit for the period | - | - | - | - | - | - | - | 1,101,364,055 | - | 1,101,364,055 |
| Net Increase in Minority Interest | - | - | - | - | - | - | - | - | 403,373,442 | 403,373,442 |
| Share Premium of bKash Ltd. | - | - | 392,866,040 | - | - | - | - | - | - | 392,866,040 |
| Share Premium of Brac IT Service Ltd. | - | - | 477,980 | - | - | - | - | - | - | 477,980 |
| Share money deposit of bKash Ltd. | - | - | - | - | - | - | 16 | - | - | 16 |
| Share money deposit in BRAC Saajan Ltd.(Translation Difference) | - | - | - | - | - | - | (25,636) | - | - | (25,636) |
| Share Capital of bKash Ltd. | - | - | - | - | - | - | - | - | - | - |
| Impairment of Goodwill | - | - | - | - | - | - | - | (30,046,781) | - | (30,046,781) |
| Statutory reserve | - | - | - | 347,576,811 | - | - | - | - | - | 347,576,811 |
| Exchange equilization reserve | - | - | - | - | - | - | - | - | - | - |
| Revaluation reserve | - | - | - | - | - | 186,580,817 | - | - | - | 186,580,817 |
| Dividends (Bonus share) | 578,223,360 | - | - | - | - | - | - | (578,223,360) | - | - |
| Redemption of preference share | - | - | - | - | - | - | - | - | - | - |
| Dividend on preference share | - | - | - | - | - | - | - | - | - | - |
| Balance as at 31 December 2013 | 4,433,045,760 | - | 2,133,446,272 | 3,281,594,097 | - | 744,701,943 | 23,715,983 | 2,407,550,889 | 852,981,119 | 13,877,036,063 |
| Balance as at 31 December 2012 | 3,854,822,400 | - | 1,740,102,253 | 2,934,017,286 | - | 558,121,126 | 23,741,603 | 1,914,456,975 | 449,607,678 | 11,474,869,320 |

BRAC BANK LIMITED
Statement of Changes in Equity
For the year ended 31 December 2013

Amount in Taka

| Particulars | Paid up share capital | Preference share capital | Share Premium | Statutory Reserve | Revaluation Reserve | Retained Earnings | Total |
|---------------------------------------|-----------------------|--------------------------|----------------------|----------------------|---------------------|----------------------|-----------------------|
| Balance at January 01, 2013 | 3,854,822,400 | - | 1,406,000,000 | 2,934,017,286 | 558,121,126 | 1,401,587,740 | 10,154,548,552 |
| Net profit for the period | - | - | - | - | - | 898,747,290 | 898,747,290 |
| Statutory reserve | - | - | - | 347,576,811 | - | - | 347,576,811 |
| Revaluation reserve | - | - | - | - | 186,580,816 | - | 186,580,816 |
| Dividends (Bonus share) | 578,223,360 | - | - | - | - | (578,223,360) | - |
| Redemption of preference share | - | - | - | - | - | - | - |
| Dividend on preference share | - | - | - | - | - | - | - |
| Balance as at 31 December 2013 | 4,433,045,760 | - | 1,406,000,000 | 3,281,594,097 | 744,701,942 | 1,722,111,670 | 11,587,453,470 |
| Balance as at 31 December 2012 | 3,854,822,400 | - | 1,406,000,000 | 2,934,017,286 | 558,121,126 | 1,401,587,740 | 10,154,548,552 |

BRAC BANK LIMITED
Consolidated Liquidity Statement
(Assets & Liabilities Maturity Analysis)
As on December 31, 2013

Amount in Taka

| | 0 - 1 Month | 1 - 3 Months | 3 - 12 Months | 1 - 5 Years | Above 5 Years | Total |
|--|------------------------|-------------------------|-----------------------|-----------------------|-----------------------|------------------------|
| Assets | | | | | | |
| Cash in hand and Balance with BB | 8,805,786,384 | - | - | - | 8,339,887,898 | 17,145,674,282 |
| Balance with other bank, Other Banks and financial Institutions (Including foreign currencies) | 5,777,872,679 | 3,657,538,129 | 2,067,411,250 | - | - | 11,502,822,058 |
| Money at call and on short notice | - | - | - | - | - | - |
| Investments | 4,224,694,328 | 1,163,587,594 | 3,138,850,542 | 5,952,584,660 | 7,004,189,007 | 21,483,906,130 |
| Loans and advances | 7,364,603,001 | 17,719,461,981 | 37,468,174,608 | 37,701,934,168 | 19,260,374,177 | 119,514,547,936 |
| Fixed assets including premises, furniture & fixtures | 83,806,427 | 192,045,889 | 422,450,529 | 1,315,965,524 | 778,438,742 | 2,792,707,112 |
| Other assets | 530,759,519 | 1,277,200,291 | 2,547,241,591 | 4,595,044,349 | 2,714,202,984 | 11,664,448,733 |
| Non - banking assets | - | - | - | - | - | - |
| Goodwill | - | - | - | - | 1,472,292,272 | 1,472,292,272 |
| Total Assets | 26,787,522,338 | 24,009,833,883 | 45,644,128,520 | 49,565,528,701 | 39,569,385,080 | 185,576,398,523 |
| LIABILITIES | | | | | | |
| Borrowings from Bangladesh bank, other Banks, financial institutions and agents | 6,101,813,260 | 3,699,498,664 | 6,736,078,705 | - | - | 16,537,390,629 |
| Convertible subordinated debts | - | - | - | 3,000,000,000 | - | 3,000,000,000 |
| Money at call and on short notice | 2,847,513,000 | - | - | - | - | 2,847,513,000 |
| Deposits & other accounts | 20,446,114,741 | 29,737,089,919 | 33,141,417,106 | 24,707,340,794 | 18,647,259,267 | 126,679,221,827 |
| Minority Interest | - | - | - | - | 852,981,119 | 852,981,119 |
| Other liabilities | 1,986,108,328 | 1,586,446,889 | 3,508,346,904 | 7,145,101,998 | 8,409,232,886 | 22,635,237,004 |
| Total Liabilities | 31,381,549,329 | 35,023,035,472 | 43,385,842,714 | 34,852,442,792 | 27,909,473,272 | 172,552,343,579 |
| Amount of net liquidity difference | (4,594,026,990) | (11,013,201,589) | 2,258,285,806 | 14,713,085,909 | 11,659,911,808 | 13,024,054,944 |

Net result of the Liquidity Statement represents the 'Shareholders' Equity' of the Bank.

BRAC BANK LIMITED
Liquidity Statement
(Assets & Liabilities Maturity Analysis)
As at 31 December 2013

Amount in Taka

| 0 - 1 Month | 1 - 3 Months | 3 - 12 Months | 1 - 5 Years | Above 5 Years | Total |
|----------------|-----------------|------------------|----------------|------------------|-------|
|----------------|-----------------|------------------|----------------|------------------|-------|

Assets

| | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|
| Cash in hand and Balance with BB | 8,805,786,384 | - | - | - | 8,338,524,499 | 17,144,310,884 |
| Other Banks and financial Institutions (Including foreign currencies) | 7,784,042,644 | 4,555,389,029 | 3,499,499,570 | - | - | 15,838,931,243 |
| Money at call and on short notice | - | - | - | - | - | - |
| Investments | 4,224,694,328 | 1,163,587,594 | 3,138,850,542 | 5,952,584,660 | 6,818,908,538 | 21,298,625,661 |
| Loans and advances | 7,364,603,001 | 16,040,899,272 | 32,432,486,483 | 30,987,683,334 | 15,903,248,760 | 102,728,920,850 |
| Fixed assets including premises, furniture & fixtures | 48,866,071 | 122,165,178 | 317,629,462 | 1,246,084,813 | 708,558,031 | 2,443,303,555 |
| Other assets | 530,759,519 | 1,277,200,291 | 2,547,241,591 | 4,595,044,349 | 3,497,331,696 | 12,447,577,446 |
| Non - banking assets | | | | | | |
| Total Assets | 28,758,751,948 | 23,159,241,363 | 41,935,707,647 | 42,781,397,155 | 35,266,571,524 | 171,901,669,638 |

LIABILITIES

| | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|
| Borrowings from Bangladesh bank, other Banks, financial institutions and agents | 5,904,234,422 | - | 3,012,826,249 | - | - | 8,917,060,670 |
| Convertible subordinated debts | - | - | - | 3,000,000,000 | - | 3,000,000,000 |
| Money at call and on short notice | 2,847,513,000 | - | - | - | - | 2,847,513,000 |
| Deposits & other accounts | 20,446,114,741 | 29,737,089,919 | 33,141,417,106 | 24,707,340,794 | 16,714,381,476 | 124,746,344,037 |
| Other liabilities | 1,986,108,328 | 1,586,446,889 | 3,508,346,907 | 6,229,132,725 | 7,493,263,613 | 20,803,298,461 |
| Total Liabilities | 31,183,970,491 | 31,323,536,808 | 39,662,590,261 | 33,936,473,519 | 24,207,645,089 | 160,314,216,168 |

| | | | | | | |
|---|------------------------|------------------------|----------------------|----------------------|-----------------------|-----------------------|
| Amount of net liquidity difference | (2,425,218,543) | (8,164,295,445) | 2,273,117,386 | 8,844,923,636 | 11,058,926,435 | 11,587,453,470 |
|---|------------------------|------------------------|----------------------|----------------------|-----------------------|-----------------------|

Net result of the Liquidity Statement represents the 'Shareholders' Equity' of the Bank.

BRAC BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

Section - One : Corporate profile & significant accounting policies

1. Corporate Information

BRAC Bank Limited (the “Bank” or “Brac Bank”) is a scheduled commercial bank established under the Bank Companies 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 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 04 July, 2001. At present the Bank has 88 (eighty eight) branches, 69 SME service centers, 172 zonal offices and 315 unit offices of SME.

BRAC Bank acquired 51% shares of Equity Partners Limited and Equity Partners Securities Limited on 31 July 2009. Equity Partners Limited was Incorporated in Bangladesh on 19 April 2000 as a private Limited company under the Companies Act 1994 and 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 Limited as BRAC EPL Investments Limited and Equity Partners Securities Limited as BRAC EPL Stock Brokerage Limited. In the year 2011, the Bank acquired further, 25% shares of EPL Investments Limited & 39% shares of EPL Stock Brokerage Limited. As a result, the Bank’s control has increased to 76% of EPL Investment Limited & 90% shares of EPL Stock Brokerage Limited. BRAC Bank acquired 51% shares of BRAC IT Services Limited Limited, a private Limited company by shares under the Companies Act 1994 Incorporated dated 9 April 2013.

BRAC Bank acquired 51% shares of bKash Limited, a private Limited company by shares under the Companies Act 1994 Incorporated dated 1 March 2010. Money in motion ULC (a company listed in USA) holds 49% shares of bKash Limited. The bank has invested in 25% shares of BRAC Asset Management Company Limited that was incorporated in Bangladesh on 01 April 2010. And also invested in 24% shares of BRAC Impact Ventures Limited that was incorporated on 18th June 2012.

BRAC Bank Limited acquired 87.5%+1 share (291,667 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 would control and monitor all its operations as the Holding Company.

The registered address of the Bank is situated at 1 Gulshan Avenue, Gulshan-1, Dhaka-1212, Bangladesh.

BRAC Bank Limited is listed with Dhaka Stock Exchange & Chittagong Stock Exchange as a publicly traded company from 28 January 2007 and 24 January 2007 respectively.

A fully operational Commercial Bank, BRAC Bank 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 Banks clients had no prior experience with formal banking. The Bank has 69 SME service centers and 415 regional marketing unit offices offering services in the heart of rural and urban communities and employs about 1,380 business loan officers.

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 Principal Activities and Nature of operations BRAC Bank Limited:

The principal activities of the Bank are banking and related activities such as accepting deposits, personal banking, trade financing, SME, Retail & Corporate credit, lease financing, project financing, issuing debit & credit cards, SMS banking, internet banking, phone banking, call center, remittance facilities, dealing in government securities etc. There have been no significant changes in the nature of the principal activities of the Bank during the financial year under review.

BRAC EPL Investments Limited:

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 Securities & Exchange Commission, the appropriate Government Regulatory agency. The company's services comprise of lead managing Initial Public Offerings, Domestic and International Placement, Portfolio Management and Project Development and Consultancy.

BRAC 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 Dhaka Stock Exchange and Chittagong Stock Exchange.

b-Kash Limited:

b-Kash Limited was established to cater to introduce mobile money transfer service in Bangladesh. The Bank has obtained a licence from Bangladesh Bank for rendering such service.

BRAC SAAJAN Exchange Limited:

BRAC Saajan exchange Limited was established to carry our remittance and exchange business from UK.

BRAC IT Services Limited :

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, a subsidiary IT company owned by BRAC and the IT Division of BRAC Bank. It is currently performing as an IT Solution and Services company and is a subsidiary jointly owned by BRAC Bank and BRAC.

BRAC Asset Management Company Limited:

BRAC Asset Management Company Limited was established to include the business of investment and asset management, portfolio management, capital market operation, financial intermediary services, management and launching of mutual funds, fund management and sponsorship, merchant banking activities, etc.

BRAC Impact Ventures Limited

BRAC Impact Ventures Ltd (the Company) was incorporated in Bangladesh on 18th June 2012 as a private company, limited by shares vide certificate of incorporation no. C-102567/12. The principal activities of the Company for which it was established include that its a "for profit" organization and committed to serve people who are living in the Base of the Pyramid (commonly known as BoP). BIVL aims to Provide services in Climate Change, Agriculture, Water, Housing, Education, Health, Energy, and Financial Sector by Creating Job, Reducing GHG emission, Bringing energy efficiency, facilitating asset accumulation, and Utilizing suppliers living in the Base of the financial pyramid.

Off Shore Banking Unit:

The Bank obtained the Off-shore Banking Unit permission from Bangladesh Bank during 2010 and commenced operation. The Off-shore Banking Unit is governed under the rules and guidelines of Bangladesh Bank. Separate Financial Statements of Off shore Banking Unit are shown in Annex H. The Principal activities of the Bank are to provide all kinds of commercial banking services to its customers through its branches in Bangladesh.

2. Summary of Significant Accounting Policies & basis of preparation

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

a) Statement of Compliance & basis of preparation

The consolidated financial statements of the Bank are made up to 31 December 2013 and are prepared under the historical cost convention and in accordance with the "First Schedule (sec-38)" of the Bank Companies Act 1991 and amendment in 2007, BRPD Circular # 14 dated 25 June, 2003, other Bangladesh Bank Circulars, International Accounting Standards (IAS) and International Financial Reporting Standards adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), Companies Act 1994, the Securities and Exchange Ordinance 1969, the Securities and Exchange Rules 1987 and other prevailing laws and rules applicable in Bangladesh. The consolidated financial statements were authorized for issue by the board of Directors on 27 February 2014.

As such the Group and the Bank has department from those contradictory of BFRS in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below:

i) Investment in shares and securities

BFRSs: As per requirements of BAS 39 investments in shares and securities generally fall either under “at fair value through Profit or Loss Account” or under “available for sale” where any change in fair value at the year end is taken to Profit or Loss Account or Revaluation Reserve Account respectively.

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

ii) Revaluation gain/loss on Government securities

BFRSs: As per requirement of BAS 39, T-bills and T-bonds fall under the category of “held for trading (HFT)” and “held to maturity (HTM)” where any change in the fair value of held for trading is recognised in Profit or loss Account and amortised cost method is applicable for held to maturity using an effective interest rate.

Bangladesh Bank: According to DOS Circular no. 05 dated 26 may 2008 and subsequent clarification in DOS Circular 05 dated 28 January 2009, loss on revaluation of Government securities (T-bills/corded under RT-bonds) which are categorised as held for trading should be charged through profit or loss account, but any gain on such revaluation should be recorded under Revaluation Reserve Account. However, at the revaluation loss for that particular held for trading T-bills/T-bonds. T-bills designated as held to maturity are measured at amortised cost method but interest income/gain should be recognised through reserve.

iii) Provision on loans and advances

BFRSs: As per BAS 39 an entity should start the impairment assessment by considering whether objective evidence of impairment exist for financial assets that are individually significant. For financial assets which are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis.

Bangladesh Bank: As per BRPD Circular no. 14 dated 23 September 2012 and BRPD Circular no. 19 dated 27 December 2012, a general provision at 0.25% under different categories of unclassified (standard/SMA loans) should be maintained regardless of objective evidence of impairment. And, specific provision for sub-standard loan, doubtful loans and losses should be provided at 20%, 50% and 100% respective for loans and advances depending on the duration of overdue. Also a general provision at 1% should be provided for all off balance sheet exposures. Such provision policies are not specifically in line with those prescribed by BAS 39.

IV) Other comprehensive income:

BFRS: As per BAS 1 Other Comprehensive income is a component of financial statements or the elements of Other Comprehensive Income are to be included in Single Comprehensive Income (OCI) statements.

“Bangladesh Bank: Bangladesh Bank has issued financial templates for the financial statements which would 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 Single Comprehensive Income (OCI) Statements. As such the company does not prepare the other comprehensive income statements 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 BAS 39.As such some disclosure and presentation requirements of BFRS 7 and BAS 32 cannot be made in the accounts.

vi) REPO transactions

BFRSs: When an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or similar assets) at a fixed price on a future date (REPO or stock lending), the arrangement is accounted for a deposit, and the underlying asset continues to be recognized in the entity’s financial statements. This transaction will be treated as loan and the difference between selling price and repurchase price will be treated as interest expense.

Bangladesh Bank: As per circulars/guidelines, when a bank sells a financial asset and simultaneously enters in to an agreement to repurchase the asset (or similar assets) at a fixed price on a future date (REPO or stock lending), the arrangement is accounted for as a normal sale transactions and the financial assets should be derecognized in the sellers book and recognized in the buyers book.

vii) Financial guarantees:

BFRSs: as per BAS 39 financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the 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 present value of any expected payment under the guarantee has become probable. Financial guarantees are prescribed to be included within other liabilities.

Bangladesh Bank: As per BRPD circular 14, 2003, financial guarantees such as L/C, L/G should be treated as off balance items. No Liability is recognized for the guarantee except the cash margin.

viii) Cash & Cash equivalents

“BFRSs: Cash & cash equivalents items should be reported as cash item as per BAS 7.

Bangladesh Bank : Some highly liquid assets such as money at call and short notice, T-bills, prize bonds are not prescribed to be shown as cash and cash equivalents rather shown as cash and cash equivalents rather shown as face item 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 BB and other banks.

ix) Non banking assets

BFRSs: No indication of non banking assets is found in any BFRSs.

Bangladesh Bank: As per BRPD Circular No. 14 dated 25 June 2003, there should exist a face item named non banking assets.

x) Cash flow statement

BFRSs: 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 14 dated 25 June 2003, cash flow should be a mixture of direct and indirect method.

xi) BFRSs.: Balance with Bangladesh Bank should be treated as cash and cash equivalents.

xii) Off Balance Sheet items

BFRSs: No requirement of disclosure for off balance sheet items in any BFRS; hence there is no requirement of disclosure of off balance sheet items.

Bangladesh Bank: As per BRPD circular No. 14 dated 25 June 2003, off balance sheet items e.g. L/C, L/G, Acceptance should be disclosed separately on the face of balance sheet.

Xiii) Disclosure of appropriation of profit

BFRSs: There is no requirement to show appropriation of profit on the face of statement or 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.

xiv) Loans and Advance Net of Provision

BFRSs: Loans and advances should be presented net of provision.

Bangladesh Bank: As per BRPD Circular No.14 dated 25 June 2003, an appropriation of profit should be presented separately as liability and cannot be netted off against loans and advances.

[Also refer to Note 2A(II) Compliance of Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs)]

b) Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The accompanying financial statements do not include any adjustments should the Bank be unable to continue as a going concern.

c) Functional and presentation currency

These financial statements are presented in Taka, which is the Bank's functional currency. Except as indicated, figures have been rounded off to the nearest Taka.

d) 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.

e) Materiality and aggregation

Each material item considered by management as significant has been displayed separately in the financial statements. No amounts 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.

f) 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, B-Kash Limited, BRAC Saajan Exchange Limited, BRAC IT Services Limited and its associate BRAC Asset Management Company Limited made up to the end of the reporting period.

The consolidated financial statements have been prepared in accordance with Bangladesh Accounting Standard 27: Consolidated financial statements and accounting for investments in subsidiaries. The consolidated financial statements are prepared to a common reporting year ending 31 December 2013.

Subsidiaries

Subsidiaries are all entities over which the bank has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. A parent of a subsidiary should present consolidated financial statements according to BAS-27: "Consolidated financial statements and accounting for investments in subsidiaries". The financial statements of subsidiary are included in the consolidated financial statements from the date that control effectively commences until the date that the control effectively ceases.

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

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 (BAS-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 recognise 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.

2.3 Foreign Currency Translations

- (a) Foreign currency transaction are translated into equivalents Taka (Functional currency) currency at spot exchange rate at the date of transaction.
- (b) Assets and liabilities in foreign currencies are translated into Taka at mid rates prevailing on the balance sheet date, except bills for collection, stock of travellers cheque and import bills for which the buying rates are used on the date of transactions.
- (c) Gains or losses arising from fluctuation of exchange rates are recognised in profit and loss account.

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 this may result in the recognition of income that may never be realized.

2.5 Taxation

Income tax on earnings for the year comprises current and deferred tax and is based on the applicable tax law in Bangladesh. It is recognised 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 is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Provision for current income tax has been made @ 42.5% as prescribed in the Finance Act-2013 on the taxable profit.

2.5.2 Deferred Tax:

The Bank accounted for deferred tax as per BAS - 12 "Income Taxes". Deferred tax is accounted for using the comprehensive tax balance sheet method. It is generated by 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 recognised 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 utilised.

Deferred tax liabilities are recognised for all taxable temporary differences. They are also recognised 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 recognised 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 utilise 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 realised 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 01 January to 31 December 2013.

2.7 Assets and the basis of their valuation

2.7.1 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 BAS-7 “ Statement of Cash Flows”. Cash flows from operating activities have been presented at “Direct Method” .

2.7.2 Investment

All investments securities are initially recognized at cost, including acquisition charges associated with the investment. Premiums are amortized and discount accredited, 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 as per IAS -39 “ Financial Instruments : Recognition and Measurement”

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 26th May 2008, 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 revaluated if they are reclassified to HFT category with the Board’s approval.

Value of Investments 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 through profit and loss account |
| 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 through profit and loss account |
| Government Treasury Bonds (HTM) | Cost | Amortized cost | Amortized Gain/ Loss to Revaluation reserve |
| Zero Coupon Bond | | None | None |
| Prize Bond & Other Bond | Cost | None | None |
| Debentures | Cost | At Cost Price | None |
| Un quoted Shares (ordinary) | Cost | Cost | - |
| Quoted shares (ordinary) | Cost | Lower of cost or market price at balance sheet date | Loss to profit and loss A/c. |

Available for sales

Available for sales investments are non-derivative investments that are designated as available for sale or are not classified as another category of financial assets. Unquoted securities whose fair value cannot reliably be measured are carried at cost. All other available for sale investments are carried at fair value.

2.7.3 Loans and Advances

- a) Interest on loans and advances is calculated daily on product basis but charged and accounted monthly and quarterly on accrual basis.
- b) Classification and provisioning for loans and advances is created based on the period of arrears by following Bangladesh Bank BRPD Circulars No. 16 of 6 December 1998, 09 of 14 May 2001, 09 and 10 of 20 August 2005, 05 of 5 June 2006, 8 of August 07, 2007, 10 of 18 September 2007, 05 of 29th April 2008, 32 of 27 October 2010, 14 of 23 September 2012, 15 of 23 September 2012, 19 of 27 December 2012 and 05 of 29 May 2013 respectively. This is also reviewed by the management.
- c) Interest on classified loans and advances is calculated as per BRPD circular No. 16 of 1998, 09 of 2001 and 10 of 2005 and recognized as income on realization.

The classification rates are given below:

| Consumer | Business Unit | Rate of Provision | | | | |
|----------|---|--------------------|-------------------------------|------------------|---------------|---------------|
| | | Un-classified (UC) | | Classified | | |
| | | Standard | Special Mention Account (SMA) | Substandard (SS) | Doubtful (DF) | Bad loan (BL) |
| | House building & loans for professionals | 2% | 2% | 20% | 50% | 100% |
| | Other than house building & 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 | 5% | 5% | 5% | 5% | 100% |
| | All others | 1% | 1% | 20% | 50% | 100% |
| | Off Balance Sheet | 1% | - | - | - | - |

- d) Loans and advances are written off to the extent that (i) there is no realistic prospect of recovery, (ii) and against which legal cases are filed and classified as bad loss as per BRPD Circular 02 dated January 13, 2002 and 13 dated November 07, 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.

2.7.4 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 operation 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 Bangladesh Accounting Standards (BAS) - 17 "Lease", cost of assets acquired under finance lease along with obligation there against have been accounted for as assets & liabilities respectively of the company, and the interest elements has 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.

2.7.5.1 Property, plant & equipments

a) Recognition

The cost of an item of property, plant and equipments (Fixed assets) shall be recognized as an asset if, and only 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.

Property, plant and equipments 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 existing assets are recognised 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 & 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 has been charged from the following month of acquisition, whereas no depreciation on assets disposed off has been charged from the month of disposal. Asset category wise depreciation rates are as follows:

| <u>Category of assets:</u> | BRAC Bank Limited | BRAC EPL Investments Limited | BRAC EPL Stock Brokerage Limited | B-Kash Limited | BRAC IT Services Limited | BRAC Saajan Exchange Limited |
|----------------------------------|--------------------------|-------------------------------------|---|-----------------------|---------------------------------|-------------------------------------|
| Furniture & fixture | 10% | 10% -20% | 12.5% | 10% | 10% | 10% |
| Office equipments | 20% | 10% -20% | 20% | 20% | 10% | |
| IT equipments - Hardware | 20% | 25% | 25% | 20% | 33% | 10% |
| IT equipments - Software | 33% | 33% | 33% | 20% | | |
| Motor vehicles | 20% | 20% | 20% | 20% | 20% | |
| Office Decoration | | 15% | 15% | | | |
| Air Cooler & Ceiling Fan | | 20% | 20% | | 20% | |
| Building & other construction | | 5% | 2% | | | |
| Generator & Multimedia Projector | | | | | 20% | |
| Server | | | | | 20% | |

c) Sale 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 & loss account as per provision of BAS 16 Property plant & equipments.

d) Revaluation

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

The fair value of items of plant & equipment is usually their market value, this is determined by appraisal.

The frequency of revaluation depends upon the movements in the fair value of the items of property, plant & equipment being revalued.

Increases in the carrying amount as a result of revaluation is credited to shareholders equity under the heading of revaluation surplus. Decreases in the carrying amount as a result of revaluation is recognised 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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset should be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss is recognised as an expenses in the income statement.

f) Others

Useful life and method of depreciation of property plant & equipment are reviewed periodically. As useful lives of assets do not differ significantly from that previously estimated, Bank Management does not consider to revalue its assets by the meantime.

As per Bangladesh Accounting Standards (BAS) - 17 "Lease", all fixed assets taken on lease has been accounted for as finance lease whereas those were being recognized as operating lease in the earlier years.

2.7.5.2 Intangible assets

a) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Acquisitions of Minority interest (Non-controlling interests) are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions. Subsequently Goodwill is measured at cost less accumulated impairment losses.

b) Softwares

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases future economic benefits embodied in specific asset to which it relates. All expenditure is expensed as incurred. Amortisation is recognised 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. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

c) License

Value of the license is recognised at cost and since it has an indefinite useful life it is not amortized. The value of the license is not measured at fair value.

2.7.6 Other assets

Other assets include all other financial assets and include interest, fees and other unrealised income receivable, Prepaid interest expenses on Interest First Fixed Deposits, advance for operating and capital expenditure, security deposits and stocks of stationery & stamps etc.

2.7.7 Stock

Stocks are valued at lower of cost or net realizable value. Cost is determined by using weighted average method.

2.8 Liabilities & provisions

2.8.1 Borrowings from other banks, financial institutions & 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.

2.8.2 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.

2.8.3 Other Liabilities

Other liabilities comprise items such as provision for loans and advances, provision for taxes, interest payable, interest suspense, accrued expenses. Other liability is recognised in the balance sheet according to the guideline of Bangladesh bank and 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.

2.9 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.

2.9.1 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 Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any residual proceeds of liquidation.

2.9.2 Preference Share Capital

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

2.9.3 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 the Securities and Exchange Commission in this respect.

2.9.4 Statutory reserve

Transfer to the Statutory reserve has been maintained @ 20% of Profit Before Tax in accordance with provisions of section 24 of the Bank Companies Act, 1991. This is mandatory until such reserve is equal to the paid up capital together with amount in the share premium account, after this its optional.

2.9.5 Revaluation reserve

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

2.10.1 Employee Benefits

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 11 (eleven) 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. Interest earned from the investments is credited to the members' account on half yearly basis. Members are eligible to get both the contributions after 05 (five) years of continuous service from the date of their membership.

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 7 (seven) members of the bank. Employees are entitled to Gratuity benefit after completion of minimum 05 (five) years of service in the Company. 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. "BRAC Bank Employee Gratuity Fund" is a funded Gratuity Fund.

2.10.2 Other Employee Benefits

Security Fund

The objective of the fund to provide death or permanent disability benefits to its confirmed employees and on their families with a sum equal to 36 times of the last drawn basic salary to the nominee. The Bank contributes to this fund at a predetermined rate which equals to Tk.5 for each Taka one thousand of last basic salary per staff per year. There shall be at least 7 seven members of Management Committee to manage the fund. The Managing Director & CEO of the Bank will be the chairperson of this committee and other 6 members are nominated from the regular category staff.

Welfare Fund

The objective of the Employees' Welfare Fund is to provide regular category employees from Junior Officer 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 7 (seven) Members Management Committee to manage the fund. The Managing Director & CEO of the Bank will be the chairperson of this committee and other 6 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 dependants at rates provided in the health insurance coverage policy.

Incentive bonus

BRAC bank started an incentive bonus scheme for its employees. 4% of net profit before tax is given to the employees in every year as incentive bonus. This bonus amount is being distributed among the employees based on their performance. The bonus amount is paid annually, normally by the 1st quarter of the every 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 loan is 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 completing 1 year of service can avail personal loan taking approval from department head and head of HR.

House building Loan: A permanent staff completing 5 year of service can avail house building loan taking approval from department head and head of HR.

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

2.11 Revenue Recognition

Interest Income

In terms of provision of Bangladesh Accounting Standard (BAS -18) on revenue and disclosures in the financial statements of the Bank, the interest receivable 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 receipt basis.

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 & Discounted

Income on Bills purchased & Discounted is recognised upon realization since there is no uncertainty as to its realization and accrued on a monthly basis.

Interest & fees receivable on credit cards

Interest & 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 & fees is in arrear for over three months. Thereafter, interest & fees are accounted for on a cash basis.

Fees & Commission Income

The Bank earn fees & commission from a diverse range of services provided to its customers. This include fees & 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 & commission income arises on services rendered by the Bank are recognized on a realization basis.

Dividend income on Shares

Dividend income from shares is recognized when our right to receive the payment is established.

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

In terms of provision of the Bangladesh Accounting Standard (BAS) -1 "Presentation of Financial Statements", interest paid and other expenses are recognized on an accruals basis.

2.12 Earning Per Share

Earning per Share (EPS) has been computed by dividing the basic earning by the weighted average number of Ordinary Shares outstanding as on 31st December, 2013 as per Bangladesh Accounting Standard (BAS) - 33 "Earning 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 BAS 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 resources generating new earnings. Therefore, the total number of shares issued in 2013 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

No diluted earning per share is required to be calculated for the year as there was no scope for dilution during the year under review.

2.13 Statement of Liquidity

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

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

2.14 Dividend

Dividend on ordinary shares are recognised as a liability and deducted from retained earnings when they are approved by the shareholders in the annual general meeting.

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- 45.6 (b) to the Financial statements.

2.15 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.

Un-reconciled entries in case of inter-branch transactions as on the reporting date are not material.

2.16 Compliance of Bangladesh Accounting standard (BAS) and Bangladesh Financial Reporting Standard (BFRS)

| Bangladesh Accounting Standard (BAS) | Ref. | Status |
|--|--------|----------------|
| Presentation of Financial Statements | BAS-1 | Applied |
| Inventories | BAS-2 | Applied |
| Cash Flow Statements | BAS-7 | Applied |
| Net profit or loss for the period, Errors and Changes in Accounting Policies | BAS-8 | Applied |
| Events after Balance Sheet date. | BAS-10 | Applied |
| Construction Contracts | BAS-11 | Not Applicable |
| Income taxes | BAS-12 | Applied |
| Segment Reporting | BAS-14 | Applied |
| Property Plant & Equipments | BAS-16 | Applied |
| Leases | BAS-17 | Applied |
| Revenue | BAS-18 | Applied |
| Employee Benefits | BAS-19 | Applied |
| Accounting for Government Grants and Disclosure of Government Assistance | BAS-20 | Not Applicable |
| The Effect of Changes in Foreign Exchanges Rate. | BAS-21 | Applied |
| Borrowing Cost | BAS-23 | Applied |
| Related party Disclosures | BAS-24 | Applied |
| Accounting for Investment | BAS-25 | Applied |
| Accounting and Reporting by Retirement Benefit Plans | BAS-26 | Applied |
| Consolidated Financial Statements and Accounting for Investments in subsidiaries | BAS-27 | Applied |
| Accounting for Investment in Associates | BAS-28 | Applied |

| Bangladesh Accounting Standard (BAS) | Ref. | Status |
|--|-------------|----------------|
| Financial Reporting of Interest in Joint Ventures | BAS-31 | Not Applicable |
| Financial Instruments: Presentation | BAS-32 | Applied |
| Earning Per Share | BAS-33 | Applied |
| Interim Financial Reporting | BAS-34 | Applied |
| Impairments of Assets | BAS-36 | Applied |
| Provision, Contingent Liabilities and Contingent Assets | BAS-37 | Applied |
| Intangible Assets | BAS-38 | Applied |
| Financial Instruments: Recognition & Measurement | BAS-39 | Applied |
| Investment property | BAS-40 | Applied |
| Agriculture | BAS-41 | Not Applicable |
| Bangladesh Financial Reporting Standard (BFRS) | Ref. | Status |
| First-time adoption of International financial Reporting Standards | BFRS-1 | Not applicable |
| Shares Based Payment | BFRS-2 | Not applicable |
| Business combination | BFRS-3 | Not applicable |
| Non-current assets Held for Sale and Discounted operations | BFRS-5 | Not applicable |
| Exploration for and Evaluation of Mineral Resources | BFRS-6 | Not applicable |
| Financial Instruments: Disclosures | BFRS-7 | Applied |
| Operating Segments | BFRS-8 | Applied |

Reason for departure of BAS / BFRS:

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 BAS/BFRS as referred above. IN such cases the bank has followed the regulatory requirements specified by the Bangladesh Bank.

New and amended standards and interpretations not yet adapted by the group and the company

A number of new standards amendments to standards and interpretation are effective for annual periods beginning from 1 January 2013 or later, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group and the bank. Although International Accounting Standards Board (IASB) has issued a new standard (IFRS 9) along with related amendments to existing standards (IAS/BAS 32,39) but none of these has been adopted and/or endorsed locally as BAS/BFRS and such any possible impact could not be determined.

2.17 Regulatory & Legal Compliance

The Bank complied with the requirements of following regulatory & legal authorities:

- The Bank Companies Act, 1991
- The Companies Act, 1994
- Rules & Regulations Issued by Bangladesh Bank.
- Securities and Exchange Rules 1987, Securities & Exchange Ordinance 1969, Securities & Exchange Act 1993, Securities and Exchange Commission IPO Rules 2006
- The Income Tax Ordinance, 1984
- The Value Added Tax Act, 1991

2.18 Risk Management

The possibility of losses, financial or otherwise is defined as risk. 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 in place a planning, 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.

The risk management of the bank covers 5 (five) Core risk areas of banking i.e. a. Credit Risk Management, b. Foreign Exchange Risk Management, c. Asset liability Management, and d. Prevention of Money Laundering and e. Internal Control & Compliance as per BRPD circular No. 17 of 07 October, 2003.

2.18.1 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 the 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 have been formed which are entrusted with the duties of maintaining effective relationship with the customers, marketing of credit products, exploring new business opportunities etc. For transparency in the operations during the entire credit year i. Credit Approval Team, ii. Asset Operations Department, iii. Recovery Unit, and iv. Impaired Asset Management have been set up.

In credit management process, Sales Teams of the above-mentioned business units book the customers; the Credit Division does thorough assessment before approving the credit facility; the risk assessment included borrower risk analysis, financial analysis, industry analysis, and historical performance of the customer. Asset Operations Department ensures compliance of all legal formalities, completion of all documentation, security of the proposed credit facility and finally disburses the amount. The Sales Team reports to the Managing Director & CEO through their line; the Credit Division reports to the Managing Director & CEO, while the Asset Operations Department reports to the Deputy Managing Director & COO. The above arrangement has not only ensured segregation of duties and accountability but also helps in minimizing the risk of compromise with quality of the credit portfolio.

2.18.2 Foreign Exchange Risk Management

Foreign exchange risk is defined as the potential change in profit/loss due to change in market prices. Today's financial institutions engage in activities starting from imports, exports and remittances involving basic foreign exchange and money market 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 assets and liabilities.

All treasury functions are clearly demarcated between treasury front office and back office. The front office is involved only in dealing activities and the back office is responsible for all related support and monitoring functions. Treasury front and back office personnel are guided as per BB core risk management and their job description. They are barred from performing each other's job. As mentioned in the previous section, 'Treasury Front 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.

Dealing room is equipped with Reuter's information, a voice screens recorder for recording deals taking place over the telephone. Counter party limit is set by the Credit Committee and monitored by Head of treasury. Trigger levels are set for the dealers, Chief Dealer and head of Treasury. Any increase to trigger limit of the head of Treasury requires approval from the MANCOM.

Before entering into any deal with a counter party, a dealer ensures they have knowledge about the counter party's dealing style, product mix and assess whether the customer is dealing in an appropriate manner.

2.18.3 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 & yield on Advance, F.E. Gap, Market Interest Rate, Loan loss provision adequacy and deposit and lending pricing strategy.

2.18.4 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. 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.

2.18.5 Internal Control & Compliance

Internal Control is the mechanism in place on a permanent basis to control the activities in an organization, both at a central and at a departmental/divisional level. Management through Risk Management Department controls operational procedure of the bank. Internal Audit & Inspection team under Risk Management undertakes periodical and special audit of the branches, SME Unit Offices and Departments at Head Office for review of the operation and compliance of statutory requirement. In addition to the Internal Audit & Inspection team the Monitoring team conducts surprise inspection at the Branch, SME Unit and the Departments had Head Office. The Board Audit Committee reviews the reports of the Risk Management Department periodically.

2.18.6 Information and communication technology

BRAC Bank follows the guideline stated in BRPD Circular No. 14 dated 23 October 2005 regarding “Guideline on Information and Communication Technology for Scheduled Banks” and BRPD Circular No. 21 dated 20 May 2010 “Guideline on ICT Security:

IT management deals with IT policy documentation, internal IT audit, training and insurance.

IT operation management covers the dynamics of technology operation management including change management, asset management, operating environment procedures management. The objective is to achieve the highest levels of technology service quality by minimum operational risk.

Physical security involves providing environmental safeguards as well as controlling physical access to equipment and data.

In order to ensure that information assets are protected against risk, there are controls over:

- a) Password control
- b) User ID maintenance
- c) Input control
- d) Network security
- e) Data encryption
- f) Virus protection
- g) Internet and e-mail

The Business Continuity Plan (BCP) is formulated to cover operational risks and taking into account the potential for wide area disasters, data center disasters and the recovery plan. The BCP takes into account the backup and recovery process. Keeping this into consideration this covers BCP, Disaster Recovery Plan and Backup/Restore Plan.

2.18.7 Internal Audit

Internal audit function plays a crucial role in ongoing assessment and maintenance of internal control, risk management and governance in banks. BRAC Bank has a strong Internal Audit team comprised of four units to carry out audit activities, namely - Head Office Audit, Retail Audit, SME Audit and Technology Audit. Internal Audit team conducts comprehensive, spot, surprise audits in various Branches, SME Service Centres, SME Krishi Branches, SME Unit Offices, Departments, Divisions of Head Office and subsidiaries of BRAC Bank Limited. Internal auditors use standard approach to determine their respective work plans and actions. Various issues, observations, lapses are identified and shared with the respective stakeholders on regular basis. Board Audit Committee periodically reviews the audit reports. Audit team also monitors the audit observations and ensures recommendations are implemented against agreed time line. Internal Audit works with the process team to update the processes and helps to prevent fraud and operational losses. Internal Audit works closely with regulators and external auditor to ensure compliance with applicable rules and regulations.

2.18.8 Fraud & Forgery

Now a day's fraud and forgery appears in diverse form. To prevent fraud & forgery, BRAC Bank Limited established a department namely “Investigation, Monitoring & Compliance” 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 & external fraud & forgery incidences are investigated and reviewed. To protect the bank and its stakeholder's interest,

“Investigation, Monitoring & Compliance” Unit performs thorough investigation to identify the perpetrator & the root cause of the reported incident. As a counteractive course of action, preventive and corrective 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. This wing also makes sure of the implementation of the recommendations as made in the investigation report by performing follow up audit quarterly. All fraud & forgery which were identified in 2013 are also duly reported to the Central Bank on a quarterly basis.

2.18.9 Enterprise Risk Management (ERM)

BRAC Bank Limited, the fastest growing bank in Bangladesh, is concerned regarding risky areas, which are being identified by the Risk Management department.

The Management under the guidance of the Board of Directors has developed an Enterprise Risk Management Policy for submission of a formal report to the Board Audit Committee on quarterly basis.

Primary Objectives:

Maximize earnings and return on capital within acceptable and controllable levels of the key risk areas.

Provide for growth that is sound, profitable and balanced without sacrificing the quality of service.

Manage and maintain a policy and procedures that are consistent with the short and long term strategic goals of the Board of Directors.

Development of ERM policy

The MANCOM approved the ERM policy, which contains the guidelines for reporting to the Risk Management Committee. The ERM has twelve members. Head of Risk Management, the Managing Director, COO, Head of Retail, Head of SME, Head of Credit, Head of Treasury, Head of Financial Administration, Head of HR, Head of Corporate Banking, Head of SRS, Head of External Affairs and Head of Impaired Assets Management. Head of Risk Management chairs the committee.

The policy provides guidelines & templates to the respective departments and units for producing the information on risky and vulnerable areas for the organization. ERM scrutinize and analyze the information and parameterize it according to the sensitivity and vulnerability.

The ERM meet on 15th of every month. The committee discuss the various issues raised relating to the previous month and updates the same provided by units reported to Risk Management department in the prescribed formats by 7th of the current month. The units qualify the specific risk according to the matrix provided by Bangladesh Bank. The meeting is minuted, which is reviewed by the Board Audit Committee on quarterly basis.

Outcome of ERM:

Vulnerable areas of the Bank are being identified

Appropriate plan and initiatives are taken to mitigate and minimize the risk.

Follow up and monitoring are being done on the overall position of the bank regarding mitigation and minimization of risky areas.

Upgrading the “Leading Key Risk Indicator” and DCFCLs are developing gradually through inclusion and exclusion item.

2.19 Implementation of BASEL-II

To comply with international best practices and to make the Bank’s capital more risk-sensitive as well as to make the Banking industry more shock absorbent and stable, Bangladesh Bank provided revised regulatory capital framework “Risk Based Capital Adequacy for Banks” which is effective from January 2009. According to the BRPD circular no-09 dated 31st December 2008 and subsequent updates on BRPD circular no-10, 12, 24, 35 dated 10th March 2010, 29th March 2010, 3rd August 2010, 29th December 2010 and BRPD circular letter no-08, dated July 23, 2012 following specific approaches are suggested for implementing BASEL-II:

- a) Standardized Approach for calculating Risk Weighted Assets (RWA) against Credit Risk;
- b) Standardized (Rule Based) Approach for calculating RWA against Market Risk ; and
- c) Basic Indicator Approach for calculating RWA against Operational Risk.

Under the Standardized Approach of the Risk Based Capital Adequacy Framework (Basel II), credit rating is to be determined on the basis of risk profile assessed by the External Credit Assessment Institutions (ECAIs) duly recognized by BB.

BASEL - II is to be calculated both on separate financial statements (SOLO) basis and Consolidated basis and both are submitted to Bangladesh Bank accordingly. Details are disclosed in note 18.09.

As per BRPD Circular no - 13 dated 21 April 2010 “Guideline of Supervisory Review Evaluation Process (SREP)” the bank has initiated to establish their own supervisory review process to ensure maintenance of sufficient capital to fully cover their risk exposure.

BRAC Bank management is aware about guideline of Bangladesh Bank and prepared for implementing new capital Accord-BASEL-II. BASEL-II implementation committee is formed headed by Head of Operations. Adequate training from home & abroad to the concerned staff on BASEL-II is given for better understanding and smooth implementation of the New Capital Accord-BASEL-II.

2.20 Off Balance Sheet Items

Under general banking transactions, liabilities against acceptance, endorsements, and other obligations and bills against which acceptance has been given and claims exists there against, have been shown as Off Balance Sheet items. Provision for off balance sheet items is made as per BRPD circular No. 8 of 7th August 2007 and 10 of September 18, 2007.

2.21 Accounting for Changes in Accounting Estimates

BAS - 8 states that the effect of a change in an accounting estimate is to be applied prospectively by inclusion in the current accounting period and, if relevant, in future accounting period. The carrying amount of assets, liabilities, or equity may be changed following a change in accounting estimates in the period of the change.

As per BAS - 16 “Property plant & equipment” (para 61) any changes in the depreciation method shall be accounted for as a changes in an accounting estimate in accordance with BAS - 8.

During the year, BRAC Bank Limited changed its depreciation method for depreciating Property, plant & equipment (Annex - D). Management takes the view that this policy provides reliable and more relevant information because it deals more accurately with the components of Property, plant and equipment and is based on up-to-date values.

2.22 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. Separate Financial Statements regarding “Off shore banking unit” is disclosed under “Annex - H” and prior year numbers were restated accordingly.
- c) The expenses, irrespective of capital or revenue nature, accrued / due but not paid have been provided for in the books of the accounts.

Section - Two : Notes to the Balance Sheet

| Particulars | 2013 Taka | 2012 Taka |
|-------------|--------------|--------------|
|-------------|--------------|--------------|

3 Cash

A. Cash in hand:

| | | |
|------------------|----------------------|----------------------|
| Local currency | 8,472,453,170 | 4,700,623,892 |
| Foreign currency | 53,024,694 | 48,976,235 |
| | 8,525,477,864 | 4,749,600,127 |

B. Balance with Bangladesh Bank and its agent Bank(s):

| | | |
|--|-----------------------|-----------------------|
| Local currency | 7,427,040,066 | 7,208,319,513 |
| Foreign currency | 280,308,520 | 853,971,641 |
| | 7,707,348,587 | 8,062,291,153 |
| Sonali Bank as agent of Bangladesh Bank (local currency) | 911,484,433 | 768,779,217 |
| | 8,618,833,020 | 8,831,070,371 |
| | 17,144,310,884 | 13,580,670,498 |

- 3.1 Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR) have been calculated and maintained in accordance with section 33 of Bank Companies Act, 1991 and BRPD circular no. 11 and 12, dated August 25, 2005, MPD circular no. 1 and 2, dated May 4, 2010 and MDP circular no. 4 and 5, dated December 1, 2010.

The statutory Cash Reserve Requirement on the Bank's time and demand liabilities at the rate 6% has been calculated and maintained with Bangladesh Bank in current account and 19% Statutory Liquidity Ratio, including CRR, on the same liabilities has also been maintained in the form of treasury bills, bonds and debentures including FC balance with Bangladesh Bank. Both the reserves are maintained by the Bank, as shown below:

3.1.1 Cash Reserve Requirement (CRR) :

6% of Average Demand and Time Liabilities :

| | | |
|--|--------------------|--------------------|
| Required reserve | 7,658,090,904 | 6,904,931,869 |
| Actual reserve held (as per Bangladesh Bank statement) | 7,649,494,483 | 7,335,083,103 |
| Surplus/ (deficit) | (8,596,421) | 430,151,234 |

Referring to Circular mentioned in Point 3.1, we have maintained 6% average CRR on fortnightly basis. Because, we have excess fund in maintaining average CRR, we kept daily 5.5% CRR position on Dec 31, 2013.

3.1.2 Statutory Liquidity Ratio (SLR) :

13% of Average Demand and Time Liabilities :

| | | |
|--------------------------------|-------------------------------------|----------------------|
| Required reserve | 16,592,530,292 | 16,948,469,133 |
| Actual reserve held | 28,289,805,717 | 22,977,204,413 |
| Surplus/ (Deficit) | 11,697,275,425 | 6,028,735,280 |
| Total Surplus/(deficit) | (3.1.1+3.1.2) 11,688,679,004 | 6,458,886,514 |

3.1.3 Held for Statutory Liquidity Ratio

| | | | |
|---|-------------|-----------------------|-----------------------|
| Cash in hand | (Note: 3) | 8,525,477,864 | 4,749,600,127 |
| Balance with Bangladesh Bank as per statement | | 7,649,494,483 | 7,280,583,103 |
| Balance with Sonali Bank as per statement | | 881,504,316 | 738,775,495 |
| TT in Transit | | - | 54,500,000 |
| Government securities | (Note: 6.1) | 18,882,823,537 | 17,488,828,791 |
| FC used in BDT | | - | - |
| | | 35,939,300,200 | 30,312,287,516 |

3.a Consolidated Cash

A. Cash in hand:

| | | |
|-------------------------------|----------------------|----------------------|
| BRAC Bank Limited | 8,525,477,864 | 4,749,600,127 |
| Off Shore Banking Unit | - | - |
| BRAC EPL Investments Ltd. | 43,965 | 109,301 |
| BRAC EPL Stock Brokerage Ltd. | 161,996 | 161,232 |
| B-Kash Ltd. | 1,069,537 | 974,610 |
| BRAC Saajan Exchange Ltd. | 84,150 | - |
| BRAC IT Services Limited | 3,751 | - |
| | 8,526,841,263 | 4,750,845,270 |

| Particulars | | 2013 Taka | 2012 Taka |
|--|--------------|-----------------------|-----------------------|
| B. Balance with Bangladesh Bank and its agent Bank(s): | | | |
| BRAC Bank Limited | | 8,618,833,020 | 8,831,070,371 |
| Off Shore Banking Unit | | - | - |
| BRAC EPL Investments Ltd. | | - | - |
| BRAC EPL Stock Brokerage Ltd. | | - | - |
| B-Kash Ltd. | | - | - |
| BRAC Saajan Exchange Ltd. | | - | - |
| BRAC IT Services Limited | | - | - |
| | | 8,618,833,020 | 8,831,070,371 |
| | | 17,145,674,282 | 13,581,915,641 |
| 4 Balance with Other Banks and Financial Institutions | | | |
| A. Inside Bangladesh | (Note: 4.1) | 8,916,887,987 | 9,904,922,299 |
| B. Outside Bangladesh | (Note: 4.2) | 6,922,043,256 | 5,416,044,836 |
| | | 15,838,931,243 | 15,320,967,135 |
| 4.1 Balance with Other Banks and Financial Institutions (Inside Bangladesh) | | | |
| On Demand Deposit Accounts | | | |
| Standard Chartered Bank - Current Account | | 41,574,039 | 6,480,460 |
| Southeast Bank Ltd- Current Account | | - | - |
| | | 41,574,039 | 6,480,460 |
| On Short Term Deposit (STD) Accounts | | | |
| Southeast Bank Limited | | 2,973,370 | 289,688 |
| Jamuna Bank Limited | | 2,217,601 | 500,000 |
| Pubali Bank Limited | | 167,489,822 | 203,822,817 |
| Janata Bank Limited | | 269,486,124 | 387,003,692 |
| Bangladesh Krishi Bank Limited | | 161,659,289 | 160,558,183 |
| The City Bank Limited | | 8,874,122 | 6,742,608 |
| Agrani Bank Limited | | 316,118,629 | 218,898,104 |
| Islami Bank Bangladesh Limited | | 114,109,524 | 94,576,732 |
| United Commercial Bank Limited | | 18,843,733 | 17,505,411 |
| National Bank Limited | | 34,432,214 | 19,356,572 |
| Sonali Bank Limited | | 69,188,923 | 86,395,660 |
| ICB Islamic Bank Limited | | 24,522 | 24,536 |
| AB Bank Limited | | - | 117,915,302 |
| Rupali Bank Limited | | 124,490,615 | 166,648,009 |
| Social Islami Bank Limited | | 2,161,286 | - |
| First Security Islami Bank Limited | | 5,924,945 | 4,931,554 |
| EXIM Bank Limited | | 9,724,857 | 9,628,849 |
| BASIC Bank Limited | | 1,205,721 | 1,144,121 |
| Mercantile Bank Limited | | - | 2,500,000 |
| | | 1,308,925,298 | 1,498,441,838 |
| On Fixed Deposit with Banks | | | |
| Local currency: | | | |
| IFIC Bank Limited | | 150,000,000 | - |
| BASIC Bank Limited | | - | 2,000,000,000 |
| First Security Islami Bank Limited | | | 300,000,000 |
| Southeast Bank Limited | | | 1,400,000,000 |
| | | 150,000,000 | 3,700,000,000 |
| Foreign currency: | | | |
| The City Bank Limited | | 816,388,650 | - |
| | | 816,388,650 | - |
| | | 966,388,650 | 3,700,000,000 |

| Particulars | 2013 Taka | 2012 Taka |
|--|----------------------|----------------------|
| On Fixed Deposit with Financial Institutions | | |
| Industrial & Infrastructure Development Finance Co. Ltd. | 200,000,000 | 100,000,000 |
| International Leasing & Financial Services Limited | 400,000,000 | 500,000,000 |
| Uttara Finance & Investment Limited | 500,000,000 | 300,000,000 |
| Far East Finance & Investment Limited | 350,000,000 | 300,000,000 |
| Union Capital Limited | 300,000,000 | 300,000,000 |
| National Housing Finance Company Limited | 200,000,000 | 120,000,000 |
| Prime Finance & Investment Co. Limited | - | 300,000,000 |
| Premier Leasing & Financial Services Limited | 300,000,000 | 150,000,000 |
| Phoenix Finance & Investments Limited | 400,000,000 | 400,000,000 |
| Bangladesh Finance & Investment Co. Ltd. | 200,000,000 | - |
| Bangladesh Industrial Finance Company Limited | 250,000,000 | 230,000,000 |
| Investment Corporation Of Bangladesh | 2,500,000,000 | 1,500,000,000 |
| IDLC Finance Limited | 500,000,000 | - |
| Reliance Finance Limited | 200,000,000 | 200,000,000 |
| Peoples Leasing Company Ltd. | 300,000,000 | 200,000,000 |
| Lanka Bangla Finance Co. Limited | - | 100,000,000 |
| | 6,600,000,000 | 4,700,000,000 |
| | 8,916,887,987 | 9,904,922,299 |

4.2 Balance with other banks and financial institutions (Outside Bangladesh)

On Demand Deposit Accounts (Non interest bearing) with:

| | | |
|--|--------------------|--------------------|
| Standard Chartered Bank-NY (USD) | 2,806,721 | 201,357,785 |
| Mashreq Bank PSCNY (USD) | 795,382 | 1,890,430 |
| The Bank of Nova Scotia- Canada (CAD) | 2,703,228 | 2,559,467 |
| ICICI Mumbai (ACU Dollar) | 223,018 | 1,844,745 |
| Standard Chartered Bank-UK (GBP) | 4,073,792 | 13,142,506 |
| Hypo Vereins Bank Germany (EURO) | | 802,666 |
| HSBC - NewYork (USD) | 60,955,279 | 88,129,574 |
| HSBC - United Kindom (GBP) | 2,914,966 | 48,876,719 |
| HSBC - Australia (AUD) | 703,232 | 18,451 |
| HSBC Pakistan (ACU Dollar) | 938,459 | 849,298 |
| Zuercher Kantonal Bank, Zurich (CHF) | 492,171 | 594,595 |
| ING Belgium NV/SA (EURO) | 2,975,651 | 45,615 |
| Unicredito Italiano SPA (EURO) | 1,499,597 | 1,064,453 |
| Commerz Bank AG Germany (USD) | 166,927 | 5,542,843 |
| Commerz Bank AG Germany (EURO) | 22,448,485 | 827,553 |
| Standard Chartered Bank - Frakfut (EURO) | 43,338 | 1,078,688 |
| Union DE Banques Arabes ET Francaises (JPY) | 4,605,406 | 1,572,525 |
| United Bank of India, Calcutta (ACU) | 36,904,835 | 75,960 |
| Westpack Banking Corporation, (AUD) | 5,024,809 | 4,271,449 |
| JP Morgan Chase Bank (USD) | 103,627,061 | 79,580,221 |
| Sonali Bank Limited (UK) | 1,797,686 | - |
| HDFC Bank Limited | 3,857,705 | 11,977,414 |
| Deutsche Bank Trust Company | 16,397,476 | 9,462,828 |
| Commerz Bank - Frakfut (GBP) | 11,222 | - |
| Bank of America N.A New York | 1,167,617 | 1,835,981 |
| AB Bank Mumbai, India (ACU) | 161,948 | |
| Unicredit Bank AG (Hypoveriensbank), Germany | 449,214 | |
| Mashreq Bank -New York | 11,862,265 | - |
| | 289,607,488 | 477,401,766 |

On Demand Deposit Accounts (Interest bearing) with:

| | | |
|-----------------------------|--------------------|--------------------|
| CITI Bank NA (USD) | - | 69,596,675 |
| AB Bank Mumbai (ACU Dollar) | - | 44,723 |
| | - | 69,641,398 |
| | 289,607,488 | 547,043,164 |

Details are shown in Annex-B

On Fixed Deposit with On Shore to Off Shore placement

| | | |
|---------------------------------|----------------------|----------------------|
| On Shore to Off Shore placement | 6,632,435,768 | 4,869,001,672 |
| | 6,922,043,256 | 5,416,044,836 |

| Particulars | | 2013 Taka | 2012 Taka |
|-------------|---|-----------------------|-----------------------|
| 4.3 | Maturity grouping of balance with other banks and financial institutions | | |
| | Up to 1 months | 7,784,042,644 | 3,151,965,463 |
| | More than 1 months to 3 months | 4,555,389,029 | 5,965,201,672 |
| | More than 3 months to 1 Year | 3,499,499,570 | 6,203,800,000 |
| | More than 1 year to 5 years | - | - |
| | More than 5 years | - | - |
| | | 15,838,931,243 | 15,320,967,135 |
| 4.a | Consolidated Balance with Other Banks and Financial Institutions | | |
| | A. In Bangladesh | | |
| | BRAC Bank Limited | 8,916,887,987 | 9,904,922,299 |
| | Off Shore Banking Unit | 17,104,143 | 31,410,951 |
| | BRAC EPL Investments Ltd. | 30,400,824 | 55,089,994 |
| | BRAC EPL Stock Brokerage Ltd. | 492,513,333 | 478,099,661 |
| | B-Kash Ltd. | 4,908,333,304 | 1,269,585,964 |
| | BRAC Saajan Exchange Ltd. | 82,954,063 | - |
| | BRAC IT Services Limited | 17,002,120 | - |
| | | 14,465,195,774 | 11,739,108,869 |
| | Less: Inter Company Transaction with: | | |
| | BRAC EPL Investments Ltd. | 4,639,519 | 28,551,078 |
| | BRAC EPL Stock Brokerage Ltd. | 262,878,123 | 103,196,238 |
| | B-Kash Ltd. | 4,908,333,304 | 1,269,100,058 |
| | BRAC Saajan Exchange Ltd. | 75,166,464 | - |
| | | 9,214,178,364 | 10,338,261,494 |
| | B. Outside Bangladesh | | |
| | BRAC Bank Limited | 289,607,488 | 547,043,164 |
| | Off Shore Banking Unit | 8,563,445,878 | 4,908,820,466 |
| | BRAC EPL Investments Ltd. | - | - |
| | BRAC EPL Stock Brokerage Ltd. | - | - |
| | B-Kash Ltd. | - | - |
| | BRAC Saajan Exchange Ltd. | 68,026,096 | 99,190,656 |
| | BRAC IT Services Limited | - | - |
| | | 8,921,079,463 | 5,555,054,285 |
| | Less: Inter Company Transaction with: | | |
| | Off Shore Banking Unit | 6,632,435,768 | 4,869,001,672 |
| | BRAC EPL Investments Ltd. | - | - |
| | BRAC EPL Stock Brokerage Ltd. | - | - |
| | B-Kash Ltd. | - | - |
| | BRAC Saajan Exchange Ltd. | - | 46,159,064 |
| | | 6,632,435,768 | 4,915,160,736 |
| | | 2,288,643,695 | 639,893,550 |
| | | 11,502,822,058 | 10,978,155,044 |
| 5 | Money at Call and Short Notice | | |
| | Banking Company: | - | - |
| | Non-banking financial institutions: | - | - |
| | | - | - |
| 6 | Investments | | |
| | Government Securities (Note: 6.1) | 19,365,124,617 | 21,858,309,744 |
| | Other Investments (Note: 6.2) | 1,933,501,044 | 3,514,215,538 |
| | | 21,298,625,661 | 25,372,525,282 |
| | Investment in securities are classified as follows: | | |
| | Held for trading (Treasury Bill) | 5,994,864,249 | 12,010,823,141 |
| | Held to maturity (Treasury Bond) | 13,368,798,068 | 9,845,304,503 |
| | Other Investments | 1,934,963,344 | 3,516,397,638 |
| | | 21,298,625,661 | 25,372,525,282 |

| Particulars | | 2013 Taka | 2012 Taka |
|---|---------------|-----------------------|-----------------------|
| 6.1 Government Securities | | | |
| Treasury Bills | (Note: 6.1.1) | 3,693,462,982 | 1,275,747,828 |
| Bangladesh Bank Bills | (Note: 6.1.2) | 2,059,520,257 | 6,967,625,583 |
| Treasury Bonds | (Note: 6.1.3) | 13,128,377,997 | 9,243,273,280 |
| Encumbered Securities | | 482,301,080 | 4,369,480,954 |
| Prize Bond | | 1,462,300 | 2,182,100 |
| | | 19,365,124,617 | 21,858,309,744 |
| 6.1.1 Treasury Bills | | | |
| 91 Days Treasury bills | | 127,666,760 | - |
| 182 Days Treasury Bills | | 1,125,959,655 | 1,036,975,293 |
| 364 Days Treasury Bills | | 2,439,836,568 | 238,772,535 |
| | | 3,693,462,982 | 1,275,747,828 |
| 6.1.2 Bangladesh Bank Bills | | | |
| 30 Days Bangladesh Bank Bills | | 2,059,520,257 | 6,967,625,583 |
| 6.1.3 Treasury Bonds | | | |
| Treasury Bonds (2 years BGTB) | | 228,234,503 | - |
| Treasury Bonds (5 years BGTB) | | 1,923,372,083 | - |
| Treasury Bonds (10 years BGTB) | | 5,660,700,858 | 4,192,853,580 |
| Treasury Bonds (15 years BGTB) | | 1,698,372,636 | 1,533,587,620 |
| Treasury Bonds (20 years BGTB) | | 3,617,697,917 | 3,516,832,080 |
| Reverse REPO | | - | - |
| 6 months Reverse REPO | | - | - |
| | | 13,128,377,997 | 9,243,273,280 |
| 6.2 Other Investments | | | |
| Ordinary shares: | | | |
| Industrial and Infrastructure Development Finance Co. Ltd. | | 29,683,820 | 24,442,502 |
| Bangladesh Rating Agency of Bangladesh Limited | | 12,497,600 | 12,497,600 |
| Central Depository Bangladesh Ltd. | | 6,277,770 | 6,277,770 |
| Documenta Limited | | - | 10,000,000 |
| | | 48,459,190 | 53,217,872 |
| Capital market investment | | | |
| Balance with subsidiary BRAC EPSL Stock Brokerage Ltd. Managed by BRAC Bank Ltd. | | 1,311,926,654 | 2,660,546,666 |
| | | 1,311,926,654 | 2,660,546,666 |
| Preference Shares | | | |
| Summit Uttaranchal Power Co Ltd | | 56,777,800 | 99,360,800 |
| Summit Purbanchal Power Co Ltd | | 86,337,400 | 151,090,200 |
| | | 143,115,200 | 250,451,000 |
| (Details are shown in Annex - C) | | | |
| Bonds | | | |
| Orascom | | 200,000,000 | 300,000,000 |
| Trust Bond | | 30,000,000 | 30,000,000 |
| UCBL Variable rate subordinated Bond | | 100,000,000 | - |
| First Security Mudaraba Bond | | 100,000,000 | 100,000,000 |
| | | 430,000,000 | 430,000,000 |
| Private Placement & IPO | | - | - |
| Private Placement & Pre IPO | | | |
| Exim Bank First Mutual fund | | - | 50,000,000 |
| Prime Finance Second Mutual fund | | - | 30,000,000 |
| NLI First Mutual Fund | | - | - |
| Unique Hotel & Resorts | | - | - |
| Bengal Windsor Thermoplastics Ltd. | | - | 40,000,000 |
| | | - | 120,000,000 |
| | | 1,933,501,044 | 3,514,215,538 |
| 6.3 Maturity Wise Grouping of Investment | | | |
| Up to 1 month | | 4,224,694,328 | 9,630,354,349 |
| More than 1 month to 3 month | | 1,163,587,594 | 1,330,844,406 |
| More than 3 month to 1 Year | | 3,138,850,542 | 3,712,353,153 |
| More than 1 year to 5 years | | 5,952,584,660 | 4,526,527,854 |
| More than 5 years | | 6,818,908,538 | 6,172,445,522 |
| | | 21,298,625,661 | 25,372,525,284 |

| Particulars | | 2013 Taka | 2012 Taka |
|-------------|--|------------------------|------------------------|
| 6.a | Consolidated Investments | | |
| | BRAC Bank Limited: | | |
| | Government Securities | 19,365,124,617 | 21,858,309,744 |
| | Other Investments | 1,933,501,044 | 3,514,215,538 |
| | | 21,298,625,661 | 25,372,525,282 |
| | Less: | | |
| | Inter-company transaction | | |
| | Balance with EPSL (Capital market investment) | - | - |
| | | 21,298,625,661 | 25,372,525,282 |
| | Add: | | |
| | Off Shore Banking Unit | - | - |
| | Investment of subsidiaries | | |
| | BRAC EPL Investments Ltd. | 51,556,876 | 28,939,897 |
| | BRAC EPL Stock Brokerage Ltd. | 122,434,140 | 61,614,752 |
| | B-Kash Ltd. | - | - |
| | BRAC Saajan Exchange Ltd. | 11,289,453 | - |
| | BRAC IT Services Limited | - | - |
| | | 21,483,906,130 | 25,463,079,931 |
| 7 | Loans and Advances | | |
| | Overdrafts | 5,265,976,690 | 4,710,164,722 |
| | Demand loans | 19,980,869,130 | 19,494,823,274 |
| | Term loans | 26,178,759,360 | 18,321,674,745 |
| | Lease receivables (Note - 7.3) | 223,768,725 | 149,995,042 |
| | Small & medium enterprises | 46,844,440,467 | 56,891,987,570 |
| | Credit Cards | 2,791,257,311 | 2,833,983,083 |
| | Staff loans (Note - 7.7) | 613,281,824 | 620,673,330 |
| | | 101,898,353,507 | 103,023,301,767 |
| | Bills purchased & discounted (Note - 7.17) | 830,567,343 | 601,136,190 |
| | | 102,728,920,850 | 103,624,437,957 |
| 7.1 | Net Loans and Advances | | |
| | Gross loans and advances | 102,728,920,850 | 103,624,437,957 |
| | Less: | | |
| | Interest suspense | 662,483,056 | 568,901,844 |
| | Provision for loans & advances | 6,988,440,905 | 6,509,051,804 |
| | | 7,650,923,961 | 7,077,953,648 |
| | | 95,077,996,889 | 96,546,484,309 |
| 7.2 | Maturity Wise Grouping of Loans and Advances | | |
| | Repayable on demand | 7,364,603,001 | 19,658,566,821 |
| | More than 1 months to 3 months | 16,040,899,272 | 11,396,250,882 |
| | More than 3 months to 1 Year | 32,432,486,483 | 24,645,013,575 |
| | More than 1 year to 5 years | 30,987,683,334 | 37,825,673,561 |
| | More than 5 years | 15,903,248,760 | 10,098,933,117 |
| | | 102,728,920,850 | 103,624,437,957 |
| 7.3 | Lease receivables | | |
| | Lease finance on demand | 7,744,487 | 48,327,640 |
| | Lease finance receivables More than 1 months to 3 months | 16,031,255 | 10,642,241 |
| | Lease finance receivables More than 3 months to 1 Year | 48,921,532 | 42,875,712 |
| | Lease finance receivables More than 1 year to 5 years | 122,756,179 | 48,149,450 |
| | Lease finance receivables More than 5 years | 28,315,271 | - |
| | Total Lease finance receivable | 223,768,725 | 149,995,042 |
| 7.4 | Loans and Advances under the following broad categories | | |
| | Inside Bangladesh: | | |
| | Loans | 97,462,944,160 | 98,914,273,234 |
| | Cash Credits | - | - |
| | Overdrafts | 5,265,976,690 | 4,710,164,722 |
| | | 102,728,920,850 | 103,624,437,957 |
| | Outside Bangladesh: | | |
| | Loans | - | - |
| | Cash credits | - | - |
| | Overdrafts | - | - |
| | | 102,728,920,850 | 103,624,437,957 |

| Particulars | 2013 Taka | 2012 Taka |
|---|------------------------|------------------------|
| 7.5 Geographical Location Wise Portfolio Grouping | | |
| Inside Bangladesh: | | |
| Dhaka Division | 70,054,885,255 | 69,986,225,886 |
| Chittagong Division | 18,274,580,039 | 16,698,358,818 |
| Khulna Division | 3,863,863,927 | 5,037,871,529 |
| Sylhet Division | 1,801,844,967 | 1,809,688,537 |
| Barisal Division | 1,966,408,083 | 2,437,352,934 |
| Rajshahi Division | 5,035,687,584 | 5,132,047,480 |
| Rangpur Division | 1,731,650,996 | 2,522,892,773 |
| | 102,728,920,850 | 103,624,437,957 |
| Outside Bangladesh: | - | - |
| | 102,728,920,850 | 103,624,437,957 |
| 7.6 Significant Concentration wise Grouping | | |
| Directors & others | - | - |
| Staff: | | |
| Managing Director & CEO | 5,599,905 | 6,998,326 |
| Senior Executives | 57,384,741 | 75,984,793 |
| Others | 550,297,178 | 537,690,211 |
| | 613,281,824 | 620,673,330 |
| Industries: | | |
| Agricultural | 897,288,489 | 1,008,793,926 |
| Large & Medium | 7,866,513,685 | 13,912,549,341 |
| Small & Cottage | 1,945,362,215 | 1,106,690,193 |
| | 10,709,164,389 | 16,028,033,459 |
| Consumers | 23,188,130,436 | 15,459,129,582 |
| Trade & Commercial | 68,218,344,201 | 71,516,601,584 |
| | 102,728,920,850 | 103,624,437,956 |
| 7.7 Staff Loan | | |
| Personal Loan | 98,354,194 | 101,018,825 |
| Car and motorcycle Loan | 196,985,314 | 172,929,440 |
| House building Loan | 317,942,316 | 346,725,065 |
| | 613,281,824 | 620,673,330 |
| 7.8 Detail of Large Loan | | |
| Number of clients with amount outstanding 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 14,924.65 million on Consolidated basis and Taka 13,963.55 million on Solo basis as at 31 December 2013 (Taka 12,727.50 million and 12,751.62 million as at 31 December 2012 respectively). (Details are shown in Annex - E) | | |
| 7.9 Grouping as per Classification Rules | | |
| Unclassified | | |
| Standard including staff loan | 92,020,445,257 | 92,971,558,186 |
| Special Mention Account (SMA) | 3,107,777,016 | 3,015,779,003 |
| | 95,128,222,273 | 95,987,337,188 |
| Classified | | |
| Sub standard | 1,982,449,704 | 1,434,071,781 |
| Doubtful | 1,455,651,823 | 1,088,896,958 |
| Bad / Loss | 4,162,597,050 | 5,114,132,029 |
| | 7,600,698,577 | 7,637,100,768 |
| | 102,728,920,850 | 103,624,437,957 |
| 7.10 Loan type wise classified loan | | |
| Overdraft | 153,493,744 | 56,361,863 |
| Demand Loan | 412,580,182 | 596,427,842 |
| Term Loan | 6,634,202,961 | 6,621,152,689 |
| Lease Finance | 157,762,830 | 38,859,799 |
| Credit Cards | 242,658,860 | 324,298,576 |
| | 7,600,698,577 | 7,637,100,768 |

| Particulars | 2013 Taka | 2012 Taka |
|-------------|--------------|--------------|
|-------------|--------------|--------------|

7.11 Sector-wise Allocation of Loans and Advances

Government

-

-

Private:

Agriculture, fishing, forestry and dairy firm

897,288,489

1,008,793,926

Industry (jute, textile, garments, chemicals, cements etc.)

7,866,513,685

13,912,549,341

Working capital financing

20,042,115,573

5,912,717,720

Export credit

29,956,033

892,858,079

Commercial credit

48,146,272,596

64,711,025,785

Small and cottage industries

1,945,362,215

1,106,690,193

Miscellaneous

23,801,412,260

16,079,802,913

102,728,920,850

103,624,437,957

102,728,920,850

103,624,437,957

7.12 Securities against loans/advances including bills purchased and discounted

Collateral of moveable/immoveable assets

38,042,513,053

59,994,818,670

Local banks & financial institutions guarantee

-

-

Government guarantee

-

-

Foreign banks guarantee

-

-

Export documents

-

-

Fixed deposit receipts (FDR)

5,649,820,462

5,871,268,190

FDR of other banks

-

-

Government bonds

-

-

Personal guarantee & other securities

59,036,587,335

37,758,351,097

Other securities

-

-

102,728,920,850

103,624,437,957

7.13 Particulars of required provisions for loans and advances

| Status | Outstanding Loans & advances 2013 | Base for provision | Percentage (%) of required provision | Required provision 2013 | Required provision 2012 |
|--|-----------------------------------|--------------------|--------------------------------------|-------------------------|-------------------------|
| Unclassified (Standard and Special Mention Account (SMA)) | | | | | |
| All unclassified loans (Other than Small & Medium enterprise Financing, Consumer Financing, BHs/MBs/SDs, Housing & loans for professional) | 35,004,246,782 | 35,004,246,782 | 1% | 350,042,468 | 380,926,092 |
| Small & Medium enterprise financing | 41,567,687,757 | 41,567,687,757 | 0.25% | 103,919,219 | 216,534,462 |
| Loans to BHs/MBs/SDs against share etc | 1,697,874,262 | 1,697,874,262 | 2% | 33,957,485 | 35,300,668 |
| Housing & loan for professional | 7,239,503,287 | 7,239,503,287 | 2% | 144,790,066 | 183,807,689 |
| Consumer finance | 8,753,388,170 | 8,753,388,170 | 5% | 437,669,409 | 170,506,381 |
| Short Term Agricultural & Micro Credit | 252,240,191 | 252,240,191 | 5% | 12,612,010 | 12,758,375 |
| | | | | 1,082,990,656 | 999,833,666 |
| Classified - Specific provision | | | | | |
| Sub-standard | 1,982,449,704 | 1,719,468,247 | 20% | 343,893,649 | 252,571,967 |
| Doubtful | 1,455,651,823 | 1,251,505,737 | 50% | 625,752,869 | 503,180,863 |
| Bad/Loss | 4,162,597,050 | 3,675,985,192 | 100% | 3,675,985,192 | 4,649,504,757 |
| | | | | 4,645,631,709 | 5,405,257,587 |
| Required provision for loans and advances | | | | 5,728,622,366 | 6,405,091,254 |
| Total provision maintained (Note 17.1) | | | | 6,988,440,905 | 6,509,051,804 |
| Excess/(Short) provision at 31 December 2013 | | | | 1,259,818,539 | 103,960,550 |

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

| Particulars | | | 2013 Taka | 2012 Taka |
|---|----------------|---|----------------------------|----------------------------|
| 7.14 Particulars of required provisions for off balance sheet items - General Provision | | | | |
| Name of Exposure | Outstanding | Percentage (%) of required provision | Required provision 2013 | Required provision 2012 |
| Acceptances and endorsements | 6,566,695,163 | 1% | 65,666,952 | 1,497,231 |
| Letter of guarantees | 6,383,222,685 | 1% | 63,832,227 | 47,402,971 |
| Irrevocable letter of credits | 11,572,885,095 | 1% | 115,728,851 | 109,582,261 |
| Bills for collection | 513,609,666 | 1% | 5,136,097 | 4,057,996 |
| Total required provision | | | 250,364,126 | 162,540,459 |
| Total provision maintained (note 17.2) | | | 254,941,567 | 234,000,000 |
| Excess/(Short) provision at 31 December 2013 | | | 4,577,441 | 71,459,541 |
| 7.15 Particulars of Loans and Advances | | | | |
| i) Debts considered good in respect of which Bank is fully secured | | | 43,692,333,515 | 65,866,086,860 |
| ii) Debts considered good for which Bank holds no other security than the debtor's personal security | | | 3,153,209,248 | 2,935,001,909 |
| iii) Debts considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtors . | | | 55,883,378,087 | 34,823,349,188 |
| iv) Debts considered doubtful or bad, not provided for | | | - | - |
| | | | 102,728,920,850 | 103,624,437,957 |
| v) Debts due by directors or officers of the banking company or any of these either separately or jointly with any other persons; | | | 613,281,824 | 620,673,330 |
| vi) Debts due by companies or firms in which the directors or officers of the bank are interested as directors, partners or managing agents or in case of private companies as members; | | | - | 22,500,000 |
| vii) Maximum total amount of advances, including temporary advances 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; | | | 613,281,824 | 620,673,330 |
| 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; | | | - | 22,500,000 |
| ix) Due from banking companies | | | - | - |
| x) Amount of Classified loans on which interest has not been charged should be mentioned as follows: | | | - | - |
| a) Increase/decrease of provision (specific) | | | 369,165,929 | 1,980,891,250 |
| amount of debts written off | | | 2,695,588,743 | 1,497,638,503 |
| amount realized against loan previously written off. | | | 124,460,250 | 251,683,293 |
| b) Amount of provision kept against loan classified as "bad/loss" on the date of preparing the balance sheet | | | 3,675,985,192 | 4,649,504,757 |
| c) Interest creditable to the Interest Suspense a/c. | | | 662,483,056 | 568,901,844 |
| xi) Cumulative amount of the written off loan and the amount written off during the current year should be shown separately. The amount of written off loan for which lawsuit has been filed should also be mentioned. | | | | |
| - Current year | | | 2,695,588,743 | 1,497,638,503 |
| - Cumulative to date | | | 7,381,639,988 | 4,686,051,245 |
| The amount of written off loans for which law suit filed | | | 7,381,639,988 | 4,686,051,245 |
| 7.16 The directors of the Bank have not taken any loan from the Bank during the year or there is no outstanding loan balances with any director of the Bank. | | | | |
| 7.17 Bill Purchased & Discounted under the following broad categories | | | | |
| Inside Bangladesh | | | 830,567,343 | 601,136,190 |
| Outside Bangladesh | | | - | - |
| | | | 830,567,343 | 601,136,190 |
| 7.18 Maturity Wise Grouping of Bill Purchased & Discounted | | | | |
| Up to 1 months | | | 252,269,193 | 201,711,847 |
| More than 1 months to 3 months | | | 313,928,996 | 138,321,266 |
| More than 3 months to 1 Year | | | 172,079,450 | 54,780,502 |
| More than 1 year to 5 years | | | 92,289,704.77 | - |
| More than 5 years | | | - | - |
| | | | 830,567,343 | 394,813,615 |

| Particulars | | 2013 Taka | 2012 Taka |
|---|----------------|------------------------|------------------------|
| 7.19 Write off of Loans & advances | | | |
| Balance at the beginning of the year | | 3,953,326,089 | 2,707,370,879 |
| Add: Write off during the year | | 2,695,588,743 | 1,497,638,503 |
| | | 6,648,914,832 | 4,205,009,382 |
| Less: Recovery of Write off loans | | 124,460,250 | 251,683,293 |
| Balance at the end of the year | | 6,524,454,582 | 3,953,326,089 |
| 7.a Consolidated Loans & Advances | | | |
| BRAC Bank Limited | | 102,728,920,850 | 103,624,437,957 |
| Off Shore Banking Unit | | 14,381,724,933 | 8,250,205,652 |
| BRAC EPL Investments Ltd. | | 3,669,777,230 | 3,679,472,517 |
| BRAC EPL Stock Brokerage Ltd. | | 88,626,587 | 49,691,103 |
| B-Kash Ltd. | | - | - |
| BRAC Saajan Exchange Ltd. | | - | - |
| BRAC IT Services Limited | | | |
| Less: Inter-company transaction | | | |
| Borrowing from BRAC Bank by BRAC EPL Investments Ltd. | | 1,354,501,664 | 1,517,524,055 |
| | | 119,514,547,936 | 114,086,283,173 |
| 8 Fixed assets including premises, furniture and fixtures | | | |
| Cost | | | |
| Property plant and equipments: | | | |
| Land | | 604,314,000 | 604,314,000 |
| Furniture & fixture | | 1,270,440,265 | 1,135,168,847 |
| Office equipments | | 1,049,944,705 | 941,004,481 |
| IT Hardwares | | 1,429,522,853 | 1,322,812,021 |
| Motor vehicles | | 97,278,957 | 94,402,419 |
| | | 4,451,500,780 | 4,097,701,767 |
| Intangible Assets: | | | |
| License (Indefinite useful live) | | 50,000 | 50,000 |
| IT Softwares (Finite useful live) | | 859,352,231 | 805,610,083 |
| | | 859,402,231 | 4,903,361,850 |
| Less: Accumulated depreciation | | 2,867,599,457 | 2,311,909,970 |
| Net Book value at the end of the year | | 2,443,303,555 | 2,591,451,880 |
| (Details are shown in Annex - D) | | | |
| 8.a Consolidated Fixed Assets including Premises, Furniture & Fixtures | | | |
| BRAC Bank Limited | | 2,443,303,555 | 2,591,451,880 |
| Off Shore Banking Unit | | - | - |
| BRAC EPL Investments Ltd. | | 37,283,241 | 54,980,465 |
| BRAC EPL Stock Brokerage Ltd. | | 74,788,596 | 73,759,856 |
| B-Kash Ltd. | | 193,035,627 | 126,905,445 |
| BRAC Saajan Exchange Ltd. | | 12,797,973 | 14,726,663 |
| BRAC IT Services Limited | | 31,498,119 | |
| | | 2,792,707,112 | 2,861,824,309 |
| 9 Other Assets | | | |
| 9.1 Income Generating Other Assets | | | |
| Interest receivables | (Note - 9.1.1) | 1,055,994,001 | 981,435,866 |
| Prepaid Interest Expenses on Interest First Fixed Deposit (IFFD) | | 228,079,973 | 1,365,470,978 |
| Receivables against sanchayapatra | | 83,549,035 | 420,133,936 |
| Receivables from Omnibus | | - | 23,994,415 |
| Penal charges Receivable | | - | - |
| Receivables against travellers cheque | | - | 343,398 |
| Investment in subsidiary | (Note - 9.1.2) | 2,356,397,625 | 2,171,088,125 |
| Investment in associate | (Note - 9.1.3) | 17,300,000 | 17,300,000 |
| Balance with EPSL (Advance) | | 1,793,579 | 59,856,082 |
| | | 3,743,114,212 | 5,039,622,799 |
| 9.1.1 Interest Receivables | | | |
| Interest Receivables consists of interest receivable on loans, investments etc. | | | |
| Receivable against Govt. securities | | 355,910,517 | 243,569,955 |
| Receivable against other securities | | 47,690,483 | 37,861,375 |
| Receivable against balance with other bank | | 168,863,413 | 212,226,538 |
| Receivable against loans and advances | | 426,189,579 | 442,330,947 |
| Receivable against term deposit - OBU | | 57,340,010 | 45,447,051 |
| | | 1,055,994,001 | 981,435,866 |

| Particulars | | 2013 Taka | 2012 Taka |
|--|------------------|-----------------------|-----------------------|
| 9.1.2 Investment in subsidiaries | | | |
| BRAC EPL Investments Ltd. | | 752,715,794 | 752,715,794 |
| BRAC EPSL Stock Brokerage Ltd. | | 1,344,147,500 | 1,344,147,500 |
| B-Kash Ltd. | | 168,921,800 | 14,836,300 |
| BRAC Saajan Exchange Ltd. | | 59,388,531 | 59,388,531 |
| BRAC IT Services Limited | | 31,224,000 | - |
| | | 2,356,397,625 | 2,171,088,125 |
| 9.1.3 Investment in associate | | | |
| BRAC Asset Management Company Ltd. | | 12,500,000 | 12,500,000 |
| BRAC Impact Ventures Limited | | 4,800,000 | 4,800,000 |
| | | 17,300,000 | 17,300,000 |
| 9.2 Non Income Generating Other Assets | | | |
| Stock of stamps | | 2,638,733 | 5,636,907 |
| Other receivables | (Note - 9.2.1) | 716,414,569 | 594,422,701 |
| Stock of security stationery | | 14,587,439 | 13,966,314 |
| Stock of printing stationery | | 18,201,282 | 43,204,197 |
| Stock of furniture | | 25,680,526 | 28,185,660 |
| Advance to staff & supplier | | 3,195,429 | 7,245,086 |
| Advance for ELDORADO | | - | - |
| Deferred revenue expenditure | | 25,983,857 | 38,496,926 |
| Advance payment of income tax | | 6,005,302,243 | 5,622,308,862 |
| Advance Value Added Tax | | 2,370,000 | - |
| Deferred tax asset | (Note - 9.2.2) | 1,117,407,249 | 1,077,184,150 |
| Advance to staff for mobile phone purchase | | - | - |
| Advance to staff for motor cycle purchase | | - | - |
| Advance to SME unit offices | | 1,312,690 | 1,312,690 |
| Advance against fixed assets | | 78,536,033 | 50,808,910 |
| Advance against office rent | | 679,230,926 | 649,280,308 |
| Advance security deposit | | 9,621,651 | 9,207,431 |
| Advance against - SWIFT | | - | - |
| Advance for Data Center Project | | - | - |
| Advance for software migration | | - | 1,819,251 |
| Advance for ANIK tower project | | - | 7,000 |
| Advance to B-Kash | | - | 5,100 |
| Advance against Pre-IPO (First Bangladesh Fixed Income Fund) | | - | - |
| * Lease assets | | 3,856,823 | 3,901,201 |
| Interbranch Account | (Note-9.2.4) | 123,785 | 123,785 |
| | | 8,704,463,233 | 8,147,116,479 |
| | (Note 9.1 + 9.2) | 12,447,577,446 | 13,186,739,278 |
| The bank has taken lease an office premises under operating lease for a period of 99 years started from 2002 with an option to renew the lease after that date. Lease rentals paid Tk. 4,389,000 at the time of lease (2002) are amortised over the term of the lease. | | | |
| 9.2.1 Other Receivables | | | |
| Remittance in transit | | 14,389,027 | - |
| Receivable against remittance | | 52,380,875 | 153,591,285 |
| Receivable against bills pay | | - | 500 |
| Receivable against DD | | 127,220,000 | 133,200,000 |
| Receivable against Cheques | | 19,725 | 19,725 |
| Receivable against Cards | | 10,178,879 | 34,951,260 |
| Account receivable-FCY(Unclaimed) | | 236,830 | 243,254 |
| Receivable from Merchant | | 37,236,205 | 175,040,887 |
| Receivable from Partners | | 213,270,810 | 15,983,059 |
| Receivable in Cash Shortage | | 9,158,027 | 9,339,506 |
| Receivable from Member Bank - Omnibus | | - | - |
| Receivable from Member Bank - ELDORADO | | 45,044,002 | 61,441,845 |
| Sundry debtors | | 199,780,188 | 8,611,380 |
| Receivable from BACH | | 5,000,000 | - |
| VAT current account | | 2,500,000 | 2,000,000 |
| Misc Suspense Account | | - | - |
| | | 716,414,569 | 594,422,701 |

| Particulars | | 2013 Taka | 2012 Taka |
|---|--|-----------------------|------------------------------------|
| 9.2.2 Deferred Tax asset/ (Liability) | | | |
| | Book Value | Tax Base | Deferred Tax Asset/ (Liability) |
| Balance as at 31 December 2012 | | | |
| Deferred Tax Asset | | | 1,077,184,150 |
| Deferred Tax Liability | | | (228,814,394) |
| Net Deferred Tax Asset 2012 | | | 848,369,756 |
| Balance as at 31 December 2013 | | | |
| Loan loss provision (Note - 9.2.3) | 6,988,440,905 | 2,558,665,744 | 1,087,432,941 |
| Provision against Capital market | 299,743,075 | 299,743,075 | 29,974,308 |
| Provision against off balance sheet items | | | - |
| Deferred tax asset at 31 December 2013 (a) | | | 1,117,407,249 |
| Interest receivable from treasury bills & bonds | 355,910,517 | (355,910,517) | (151,261,970) |
| Fixed assets (Annex-D) | 1,824,491,706 | (231,899,753) | (98,557,395) |
| Deferred Tax Liability at 31 December 2013 (b) | | | (249,819,365) |
| Net Deferred Tax Asset 31 December 2013 (a+b) | | | 867,587,884 |
| Increase of deferred tax asset recognized into P&L as income | | | 40,223,099 |
| Increase of deferred tax liability recognized into P&L as expense | | | (21,004,971) |
| Total Deferred tax income recognized into P&L during the year 2013 | | | 19,218,128 |
| 9.2.3 | A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Temporary difference arising from loan loss provision is recognized to the extent it is probable that taxable profit will be available in foreseeable future against which it can be utilized. According to the requirement of Bangladesh Bank BRPD Circular No. 11 dated 12 December 2011, Deferred tax asset can be created against "Loan Loss Provision" according to the requirement of BAS - 12 but such amount (i.e. BDT 1,087,432,941) should be excluded from Regulatory Capital (i.e. Tier - 1 Capital). Expected time to adjust the above loan loss provision through write off is 5 years. | | |
| 9.2.4 Interbranch Account | | | |
| Inter Branch Account - BDT | | - | - |
| Inter Branch Account - FCY | | - | - |
| Cost Center Account | | 123,785 | 123,785 |
| Spot Exchange - BDT | | - | - |
| Spot Exchange - FCY | | - | - |
| Forward Exchange - BDT | | - | - |
| Asset for Distribution | | - | - |
| Liability for Distribution | | - | - |
| Merchant POS Settlement Account | | - | - |
| | | 123,785 | 123,785 |
| 9.a Consolidated Other Assets | | | |
| BRAC Bank Limited | | 12,447,577,446 | 13,186,739,278 |
| Off Shore Banking Unit | | 40,107,659 | 106,316,049 |
| BRAC EPL Investments Ltd. | | 699,302,519 | 592,104,555 |
| BRAC EPL Stock Brokerage Ltd. | | 251,696,942 | 110,939,212 |
| B-Kash Ltd. | | 355,235,760 | 115,136,159 |
| BRAC IT Services Limited | | 129,803,327 | |
| BRAC Saajan Exchange Ltd. | | 124,784,742 | 62,778,259 |
| | | 14,048,508,395 | 14,174,013,512 |
| Less: | | | |
| Investment in subsidiaries | | | |
| BRAC EPL Investments Ltd. | | 752,715,794 | 752,715,794 |
| BRAC EPL Stock Brokerage Ltd. | | 1,344,147,500 | 1,344,147,500 |
| B-Kash Ltd. | | 168,921,800 | 14,836,300 |
| BRAC Saajan Exchange Ltd. | | 59,388,531 | 59,388,531 |
| BRAC IT Services Limited | | 31,224,000 | |
| | | 2,356,397,625 | 2,171,088,125 |
| Investment in associate | | | |
| BRAC Asset Management Company Ltd. | | 12,500,000 | 12,500,000 |
| BRAC Impact Ventures Limited | | 4,800,000 | 4,800,000 |

| Particulars | | 2013 Taka | 2012 Taka |
|---|----------------|-----------------------|-----------------------|
| Less: Inter-company transaction | | | |
| BRAC Bank Ltd. | | 1,090,414 | 1,565,000 |
| BRAC EPL Investments Ltd. | | - | 1,705,100 |
| BRAC EPL Stock Brokerage Ltd. | | 7,555,246 | 2,305,951 |
| B-Kash Ltd. | | 1,793,579 | 59,856,082 |
| BRAC Saajan Exchange Ltd. | | 17,544,040 | 627,843 |
| | | 27,983,279 | 66,059,976 |
| Add: | | | |
| Investment of associate | | | |
| BRAC Asset Management Company Ltd. | (Note - 9.a.1) | 14,341,770 | 13,718,064 |
| BRAC Impact Ventures Limited | (Note - 9.a.2) | 3,279,471 | 4,266,844 |
| | | 11,664,448,733 | 11,997,406,400 |
| 9.a.1 Investment of associate | | | |
| BRAC Asset Management Company Ltd. | | | |
| Opening balance | | 13,718,064 | 13,131,311 |
| Investment made during the year | | - | - |
| Add: Share of post acquisition profit | | 623,707 | 586,753 |
| Less: Dividend receivable | | - | - |
| Total carrying amount of investment in associate | | 14,341,770 | 13,718,064 |
| 9.a.2 Investment of associate | | | |
| BRAC Impact Ventures Limited | | | |
| Investment made during the year | | 4,266,844 | 4,800,000 |
| Add: Share of post acquisition profit | | (987,373) | (533,156) |
| Less: Dividend receivable | | - | - |
| Total carrying amount of investment in associate | | 3,279,471 | 4,266,844 |
| 10 Non Banking assets | | | |
| No non-banking assets is under the possession of the bank which acquired as claims. BRAC Bank limited did not acquire any such assets as on 31 December 2013. | | | |
| 11.a Consolidated Goodwill | | | |
| BRAC Bank Limited | | - | - |
| BRAC EPL Investments Ltd. | | 246,289,822 | 246,289,822 |
| BRAC EPL Stock Brokerage Ltd. | | 1,126,273,573 | 1,126,273,573 |
| B-Kash Ltd. | | 73,393,751 | - |
| BRAC Saajan Exchange Ltd. | | 54,905,518 | 54,905,518 |
| BRAC IT Services Limited | | 1,476,391 | - |
| Less: Impairment of Goodwill | | (30,046,781) | - |
| | | 1,472,292,272 | 1,427,468,912 |
| Impairment test has been performed on the intangible assets with indefinite useful life derived from the valuation of goodwill acquired in the business combination. Goodwill has been impaired on the basis of independent professional values report. | | | |
| 12 Borrowing from other Banks, Financial Institutions and Agents: | | | |
| Term Borrowing: | | | |
| Banking company: | | | |
| State Bank of India | | 150,000,000 | - |
| Rupali Bank Ltd | | 2,000,000,000 | - |
| The Hong Kong & Shanghai Banking Corporation Ltd | | 300,000,000 | - |
| Bangladesh Krishi Bank Limited | | 700,000,000 | - |
| IFIC Bank Limited | | 1,000,000,000 | - |
| The Premier Bank Ltd | | 400,000,000 | - |
| ICB Islamic Bank Ltd. | | 550,000,000 | - |
| Off Shore to On Shore | | 1,929,234,422 | 39,559,407 |
| Uttara Bank Limited | | 450,000,000 | - |
| | | 7,479,234,422 | 39,559,407 |
| Non-bank financial institutions: | | | |
| Borrowing from IFC | | - | - |
| | | 7,479,234,422 | 39,559,407 |
| Outside Bangladesh | | | |
| Sonali Bank Limited (UK) | | - | - |
| | | 7,479,234,422 | 39,559,407 |

| Particulars | | | | 2013 Taka | 2012 Taka | |
|-------------|---|--------------------|----------------|-------------------------------------|-------------------------------------|---|
| 12.1 | Maturity Wise Grouping of Borrowing from Other Bank & Financial Institutions | | | | | |
| | Up to 1 months | | | | 5,479,234,422 | - |
| | More than 1 months to 3 months | | | | - | 39,559,407 |
| | More than 3 months to 1 Year | | | | 2,000,000,000 | - |
| | More than 1 year to 5 years | | | | - | - |
| | More than 5 years | | | | - | - |
| | | | | | 7,479,234,422 | 39,559,407 |
| 12.2 | Disclosure regarding outstanding Repo as on 31 December 2013: | | | | | |
| | Sl.no | Counter party name | Agreement Date | Reversal Date | Amount (1st leg cash consideration) | |
| | i | Agrani Bank Ltd. | 29-12-13 | 02-01-14 | 1,009,635,604 | |
| | ii | Agrani Bank Ltd. | 30-12-13 | 02-01-14 | 1,500,589,764 | |
| | iii | Janata Bank Ltd. | 30-12-13 | 02-01-14 | 510,840,719 | |
| | iv | Sonali Bank Ltd. | 30-12-13 | 01-01-14 | 1,003,638,936 | |
| | | | | | 4,024,705,023 | |
| 12.2.1 | Disclosure regarding outstanding Reverse Repo as on 31 December 2013: | | | | | |
| | Sl.no | Counter party name | Agreement Date | Reversal Date | Amount (1st leg cash consideration) | |
| | | NIL | N/A | N/A | NIL | |
| 12.2.2 | Disclosure regarding overall transaction of Repo and Reverse repo during the year 2013: | | | | | |
| | Particulars | | | Minimum outstanding during the year | Maximum outstanding during the year | Daily average outstanding during the year |
| | Securities sold under repo: | | | | | |
| | i) with Bangladesh Bank | | | 202,640,000 | 7,070,680,000 | 1,439,247,877 |
| | ii) with other banks & Fis | | | 88,198,713 | 4,655,875,184 | 747,208,813 |
| | Securities purchased under reverse repo: | | | | | |
| | i) with Bangladesh Bank | | | - | - | - |
| | ii) with other banks & Fis | | | 185,071,248 | 1,042,174,724 | 43,467,702 |
| 12.a | Consolidated Borrowing from other Banks, Financial Institutions and Agents | | | | | |
| | BRAC Bank Limited | | | | 7,479,234,422 | 39,559,407 |
| | Off Shore Banking Unit | | | | 12,784,147,518 | 8,063,401,672 |
| | BRAC EPL Investments Ltd. | | | | 2,786,870,873 | 3,201,733,832 |
| | BRAC EPL Stock Brokerage Ltd. | | | | - | - |
| | B-Kash Ltd. | | | | - | - |
| | BRAC Saajan Exchange Ltd. | | | | - | - |
| | BRAC IT Services Limited | | | | 36,249,000 | |
| | Less: Borrowing from BRAC Bank by BRAC EPL Investments Ltd. (Inter-Company) | | | | (1,354,501,664) | (1,517,524,055) |
| | Borrowing from BRAC Bank Ltd by Off-Shore Banking Unit | | | | (6,632,435,768) | (4,869,001,672) |
| | | | | | 15,099,564,380 | 4,918,169,184 |
| 13 | Borrowings from Central Bank | | | | | |
| | Bangladesh Bank Refinance | | | | 1,012,826,249 | 632,592,247 |
| | Bangladesh Bank REPO | | | | 425,000,000 | 3,893,910,000 |
| | | | | | 1,437,826,249 | 4,526,502,247 |
| 13.1 | Maturity Wise Grouping of Borrowing from Central Bank | | | | | |
| | Up to 1 months | | | | 425,000,000 | 3,893,910,000 |
| | More than 1 months to 3 months | | | | - | - |
| | More than 3 months to 1 Year | | | | 1,012,826,249 | 632,592,247 |
| | More than 1 year to 5 years | | | | - | - |
| | More than 5 years | | | | - | - |
| | | | | | 1,437,826,249 | 4,526,502,247 |
| 13.a | Consolidated Borrowings from Central Bank | | | | | |
| | BRAC Bank Limited | | | | 1,437,826,249 | 4,526,502,247 |
| | Off Shore Banking | | | | - | - |
| | BRAC EPL Investments Ltd. | | | | - | - |
| | BRAC EPL Stock Brokerage Ltd. | | | | - | - |
| | B-Kash Ltd. | | | | - | - |
| | BRAC Saajan Exchange Ltd. | | | | - | - |
| | BRAC IT Services Limited | | | | | |
| | | | | | 1,437,826,249 | 4,526,502,247 |

| Particulars | | 2013 Taka | 2012 Taka |
|--|--------------------|----------------------|----------------------|
| 14 Subordinated Convertible Bonds | | | |
| Private Placement | (Note - 14.1) | 2,700,000,000 | 2,700,000,000 |
| Public Subscription | (Note - 14.2) | 300,000,000 | 300,000,000 |
| | | 3,000,000,000 | 3,000,000,000 |
| 14.1 Private Placement details | | | |
| | No. of Unit | | |
| 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 | 490,000 | 490,000,000 | 490,000,000 |
| Agrani Bank Limited | 750,000 | 750,000,000 | 750,000,000 |
| BRAC Employee Provident Fund | 482,500 | 482,500,000 | 482,500,000 |
| Delta Life Insurance Company Ltd. | 20,000 | 20,000,000 | 20,000,000 |
| RACE Asset Management * | 82,500 | 82,500,000 | 82,500,000 |
| * PHP 1st Mutual Fund, Popular Life 1st Mutual Fund | | - | - |
| Total Private Placement | | 2,700,000,000 | 2,700,000,000 |
| 14.2 Public Subscription details | No. of Unit | | |
| Other than Non-resident Bangladeshies | 212,775 | 212,775,000 | 212,775,000 |
| Non-resident Bangladeshies | 2,285 | 2,285,000 | 2,285,000 |
| Mutual Funds | 84,940 | 84,940,000 | 84,940,000 |
| Total Subscription received | | 300,000,000 | 300,000,000 |
| Less: Refundable against excess subscription | | - | - |
| | | 300,000,000 | 300,000,000 |
| 14.3 Maturity Wise Grouping of Subordinated Convertible Bonds | | | |
| Up to 1 months | | - | - |
| More than 1 months to 3 months | | - | - |
| More than 3 months to 1 Year | | - | - |
| More than 1 year to 5 years | | 3,000,000,000 | 3,000,000,000 |
| More than 5 years | | - | - |
| | | 3,000,000,000 | 3,000,000,000 |
| 14.a Consolidated Subordinated Convertible Bonds | | | |
| BRAC Bank Limited | | 3,000,000,000 | 3,000,000,000 |
| Off Shore Banking Unit | | - | - |
| BRAC EPL Investments Ltd. | | - | - |
| BRAC EPL Stock Brokerage Ltd. | | - | - |
| B-Kash Ltd. | | - | - |
| BRAC Saajan Exchange Ltd. | | - | - |
| BRAC IT Services Limited | | - | - |
| | | 3,000,000,000 | 3,000,000,000 |
| 15 Money at call and short notice | | | |
| Banking Company: | | | |
| Rupali Bank Ltd. | | 2,000,000,000 | - |
| Sonali Bank Ltd. | | - | 400,000,000 |
| One Bank Ltd. | | 70,000,000 | - |
| United Commercial Bank Ltd. | | 777,513,000 | - |
| Southeast Bank Limited | | - | 100,000,000 |
| IFIC Bank Ltd. | | - | 100,000,000 |
| HSBC Bank | | - | 140,000,000 |
| Jamuna Bank Limited | | - | 50,000,000 |
| Trust Bank Limited | | - | 1,200,000,000 |
| | | 2,847,513,000 | 1,990,000,000 |

| Particulars | | 2013 Taka | 2012 Taka |
|--|---------------|------------------------|------------------------|
| 15.1 Maturity Wise Grouping of Money at call and short notice | | | |
| Up to 1 months | | 2,847,513,000 | 1,990,000,000.00 |
| More than 1 months to 3 months | | - | - |
| More than 3 months to 1 Year | | - | - |
| More than 1 year to 5 years | | - | - |
| More than 5 years | | - | - |
| | | 2,847,513,000 | 1,990,000,000 |
| 15.a Consolidated Money at Call and Short Notice | | | |
| BRAC Bank Limited | | 2,847,513,000 | 1,990,000,000 |
| Off Shore Banking Unit | | - | - |
| BRAC EPL Investments Ltd. | | - | - |
| BRAC EPL Stock Brokerage Ltd. | | - | - |
| B-Kash Ltd. | | - | - |
| BRAC Saajan Exchange Ltd. | | - | - |
| BRAC IT Services Limited | | - | - |
| | | 2,847,513,000 | 1,990,000,000 |
| 16 Deposit and Other Accounts | | | |
| Local Currency: | | | |
| Current & other accounts | | 37,835,464,423 | 38,179,207,241 |
| Bills payable | (Note-16.3) | 991,931,891 | 1,693,298,032 |
| Saving deposits | | 20,832,605,144 | 18,173,398,623 |
| Fixed deposits | | 62,943,110,575 | 71,457,715,031 |
| Other deposits | (Note-16.4.1) | 111,650,229 | 132,669,605 |
| | | 122,714,762,263 | 129,636,288,533 |
| Foreign Currency: | | | |
| Current & other accounts | | 1,289,684,493 | 4,225,612,056 |
| Bills payable | | - | - |
| Saving deposits | | - | - |
| Fixed deposits | | 669,262,658 | 637,831,294 |
| Other deposits | (Note-16.4) | 72,634,623 | 146,716,599 |
| | | 2,031,581,774 | 5,010,159,949 |
| Total Deposit and other accounts | | 124,746,344,037 | 134,646,448,482 |
| 16.1 Deposit details concentrating liquidity nature | | | |
| i) Demand deposit | | 35,699,549,316 | 38,730,074,179 |
| Current deposit | | 31,185,395,566 | 30,747,397,433 |
| Saving deposit (10%) | | 2,083,109,914 | 1,817,339,862 |
| Foreign currency deposit | | 1,362,319,116 | 4,372,328,655 |
| Sundry deposit | | 76,792,829 | 99,710,196 |
| Bills payable | | 991,931,891 | 1,693,298,032 |
| ii) Time deposit | | 89,046,794,721 | 95,916,374,303 |
| Saving deposit (90%) | | 18,749,344,630 | 16,356,058,761 |
| Foreign currency deposit | | 669,262,658 | 637,831,294 |
| Fixed deposit | | 58,051,953,523 | 67,327,154,173 |
| Short term deposit | | 6,650,068,857 | 7,431,809,808 |
| Deposit pension scheme | | 4,891,157,052 | 4,130,560,859 |
| Security deposit | | 18,175,131 | 12,668,190 |
| Other Deposit | | 16,832,870 | 20,291,219 |
| | | 124,746,344,037 | 134,646,448,482 |
| 16.2 Maturity Wise Grouping of Deposits | | | |
| Payable on demand | | 275,044,237 | 3,280,794,539 |
| Payable within 1 month | | 20,171,070,504 | 19,248,819,313 |
| Over 1 month but within 6 months | | 44,077,505,038 | 42,247,020,913 |
| Over 6 month but within 1 year | | 18,801,001,987 | 32,864,419,471 |
| Over 1 year but within 5 years | | 24,707,340,794 | 25,198,339,661 |
| Over 5 years but within 10 years | | 9,324,876,897 | 8,495,860,094 |
| Over 10 years | | 7,389,504,579 | 3,311,194,491 |
| | | 124,746,344,037 | 134,646,448,482 |

| Particulars | | 2013 Taka | 2012 Taka |
|---------------|--|------------------------|------------------------|
| 16.3 | Bills payable | | |
| | Local Drafts Issued and Payable | 12,558 | 70,889,260 |
| | Stamp Charges payable for Loan Clients | 8,696,594 | 6,195,778 |
| | Insurance Premium payable for SME Loan Clients | 85,871,490 | 76,536,799 |
| | Payment Order Issued | 691,231,496 | 1,275,413,126 |
| | Sundry Creditors | 18,270,515 | 60,246,415 |
| | Payment Order To Be Issued | 5,666,322 | 5,790,107 |
| | Cards Settlement account | 182,182,914 | 198,226,547 |
| | | 991,931,891 | 1,693,298,032 |
| 16.4 | Other Deposits | | |
| | Foreign currency | 72,634,623 | 146,716,599 |
| | Local Currency: | | - |
| | Sundry deposit (Note-16.4.1) | 111,650,229 | 132,669,605 |
| | | 184,284,852 | 279,386,204 |
| 16.4.1 | Sundry deposit | | |
| | Security Deposits | 18,175,131 | 12,668,190 |
| | Security Deposit from SME Loan client | 495,546 | 541,201 |
| | Security Deposit from Retail Loan client | 16,186,724 | 19,750,018 |
| | Merchant POS settlement account | - | - |
| | Lease Deposit | 3,086,779 | 2,947,035 |
| | Payable against Staff, Clients Loan account and others | 73,706,050 | 96,763,161 |
| | | 111,650,229 | 132,669,605 |
| 16.a | Consolidated Deposit and Other Accounts | | |
| | BRAC Bank Limited | 124,746,344,037 | 134,646,448,482 |
| | Off Shore Banking Unit | 3,145,192,274 | 39,542,241 |
| | BRAC EPL Investments Ltd. | 39,421,277 | 32,035,423 |
| | BRAC EPL Stock Brokerage Ltd. | - | - |
| | B-Kash Ltd. | 3,999,575,268 | 973,969,599 |
| | BRAC Saajan Exchange Ltd. | - | - |
| | BRAC IT Services Limited | - | - |
| | | 131,930,532,856 | 135,691,995,745 |
| | Less: Inter Company Transaction | | |
| | BRAC EPL Investments Ltd. | 4,639,519 | 28,551,078 |
| | BRAC EPL Stock Brokerage Ltd. | 264,035,200 | 103,196,238 |
| | B-Kash Ltd. | 4,907,176,227 | 1,269,100,058 |
| | BRAC Saajan Exchange Ltd. | 75,460,084 | 46,159,064 |
| | | 126,679,221,827 | 134,244,989,307 |
| 17 | Other Liabilities | | |
| | Provisions for loans & advances (Note - 17.1) | 6,988,440,905 | 6,509,051,804 |
| | Provisions for Off Balance Sheet Items (Note - 17.2) | 254,941,567 | 234,000,000 |
| | Provisions for Others | 61,777 | 61,777 |
| | Interest suspense (Note - 17.3) | 662,483,056 | 568,901,844 |
| | Withholding tax payable (Note - 17.4) | 152,112,096 | 212,289,800 |
| | VAT payable (Note - 17.5) | 94,874,106 | 115,851,679 |
| | Provision for taxation (Note - 17.6) | 7,432,473,086 | 6,951,639,560 |
| | Deferred tax liability (Note - 9.2.2) | 249,819,365 | 228,814,394 |
| | Interest payable | 1,567,491,258 | 1,694,854,983 |
| | Accrued expenses | 1,194,574,074 | 847,359,595 |
| | Provision for diminution in value of Investments | 299,743,075 | 544,957,355 |
| | Excise duty Payable | 156,655,041 | 112,295,950 |
| | Share subscription - IPO (refund warrant) | 92,297,241 | 6,517,319 |
| | Right Share subscription | 1,020,775 | 1,020,775 |
| | Cheque clearing account | 110,438,034 | 121,833,178 |
| | Margin on L/C | 1,135,499,699 | 584,064,954 |
| | Margin on L/G | 64,575,237 | 93,969,838 |
| | Cash Dividend payable | 30,415,319 | 30,629,591 |
| | Refundable against excess subscription of BONDS | - | - |
| | Unclaimed dividend | 3,523,517 | 3,487,054 |
| | Payable against exchange house | 3,912,704 | 4,233,535 |
| | Payable to ELDORADO member banks | - | - |
| | Payable against insurance | 13,845,386 | 7,614,248 |
| | Payable against freez account | 306,597,073 | 241,662,415 |
| | Others | (12,495,930) | 204,621,694 |
| | | 20,803,298,461 | 19,319,733,341 |

| Particulars | 2013 Taka | 2012 Taka |
|-------------|--------------|--------------|
|-------------|--------------|--------------|

17.1 Provision for Loans and Advances :

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 categorised 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 from the amount outstanding (net of unearned interest and interest suspense).

A. General

| | | |
|---------------------------------------|----------------------|--------------------|
| Balance at the beginning of the year | 992,457,889 | 1,414,099,303 |
| Add: Provision made during the year | 110,223,172 | (421,641,414) |
| Balance at the end of the year | 1,102,681,061 | 992,457,889 |

B. Specific

| | | |
|--|----------------------|----------------------|
| Balance at the beginning of the year | 5,516,593,915 | 3,535,702,665 |
| Add: Provision made during the year | 2,721,407,785 | 3,302,774,899 |
| | 8,238,001,700 | 6,838,477,564 |
| Less: Interest waiver during the year | - | - |
| Less: Write off during the year | 2,352,241,856 | 1,321,883,649 |
| Balance at the end of the year | 5,885,759,844 | 5,516,593,915 |
| Net actual provision at the end of the year (A+B) | 6,988,440,905 | 6,509,051,804 |

17.2 Provisions for Off Balance Sheet Items

Provision for off balance sheet items is made as per BRPD circular No. 8 of 7th August 2007 and 10 of September 18, 2007 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:

| | | |
|---------------------------------------|--------------------|--------------------|
| Balance at the beginning of the year | 234,000,000 | 234,000,000 |
| Add: Provision made during the year | 20,941,567 | - |
| Balance at the end of the year | 254,941,567 | 234,000,000 |

17.3 Interest suspense

Classified loans and advances of the banks are categorised as sub-standard, doubtful and bad/loss as per guidelines of Bangladesh Bank. Interest accrued on SMA, 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 | 568,901,844 | 624,136,298 |
| Add: Provision made during the year | 1,296,538,147 | 1,178,672,512 |
| | 1,865,439,991 | 1,802,808,810 |
| Less: Amount of interest suspense recovered | 543,887,617 | 883,119,285 |
| Less: Write off during the year | 343,346,887 | 175,754,854 |
| Less: Interest waiver during the year | 315,722,431 | 175,032,826 |
| Balance at the end of the year | 662,483,056 | 568,901,844 |

17.4 Withholding Tax Payable

| | | |
|--------------------------------------|--------------------|--------------------|
| Payable On Interest | 128,334,166 | 188,995,656 |
| Payable (Suppliers) | 7,933,267 | 7,331,764 |
| Payable (Contractors & Consultants) | 37,100 | |
| Payable (Staff Salaries & Allowance) | 3,409,830 | 4,545,169 |
| Payable (Rent) | 2,578,740 | 2,400,097 |
| Payable (Export) | 2,378,233 | 1,527,230 |
| Payable on Commission Paid | 3,239,504 | 2,793,051 |
| Payable on Export Cash Subsidy | - | - |
| Payable on Profession Services | - | - |
| Payable on Others | 4,201,255 | 2,784,332 |
| Payable on Dividend | - | 1,912,500 |
| | 152,112,096 | 212,289,800 |

| Particulars | 2013 Taka | 2012 Taka |
|--|-----------------------|-----------------------|
| 17.5 VAT Payable | | |
| Payable On L/C Commission | 5,053,737 | 2,643,509 |
| Payable on Commission for Remittances | 3,102,882 | 1,027,703 |
| Payable on Loan Processing Fees | 3,757,678 | 10,172,386 |
| Payable - Credit Cards | 6,310,237 | 6,638,318 |
| Payable - Supplier | 8,991,931 | 8,077,492 |
| Payable - Rent | 4,409,151 | 3,771,791 |
| Payable - DESA & DESCO | 5,153,159 | 7,559,105 |
| Payable - BPDB | 19,697,800 | 13,923,648 |
| Payable - DPDC | 28,312,039 | 48,542,466 |
| Payable - Others | 10,085,491 | 13,495,262 |
| | 94,874,106 | 115,851,679 |
| 17.6 Provision for current taxation | | |
| Balance at the beginning of the year | 6,951,639,560 | 5,421,639,560 |
| Add: Provision made during the year | 1,797,698,269 | 1,530,000,000 |
| | 8,749,337,829 | 6,951,639,560 |
| Less: Adjustment of tax provision for previous years | 1,316,864,743 | - |
| Balance at the end of the year | 7,432,473,086 | 6,951,639,560 |
| Corporate tax position of the Bank has been shown in Annex F. | | |
| 17.a Consolidated Other Liabilities | | |
| BRAC Bank Limited | 20,803,298,461 | 19,319,733,341 |
| Off Shore Banking | 144,957,950 | 180,082,541 |
| BRAC EPL Investments Ltd. | 372,747,989 | 61,267,454 |
| BRAC EPL Stock Brokerage Ltd. | 527,309,597 | 366,686,817 |
| B-Kash Ltd. | 478,896,975 | 283,023,703 |
| BRAC Saajan Exchange Ltd. | 194,525,878 | 96,864,373 |
| BRAC IT Services Limited | 141,483,431 | |
| | 22,663,220,281 | 20,307,658,229 |
| Less: Inter Company Transaction | | |
| BRAC Bank Limited | 1,090,414 | 65,000 |
| BRAC EPL Investment Ltd. | 7,555,246 | 627,843 |
| B-Kash Ltd. | 17,544,038 | 5,505,951 |
| BRAC EPL Stock Brokerage Ltd. | 1,793,579 | 59,856,082 |
| | 27,983,277 | 66,054,876 |
| | 22,635,237,004 | 20,241,603,354 |
| 18 Share Capital | | |
| 18.1 Authorized Capital | | |
| Authorized Capital is the maximum amount of share capital that the bank is authorised by its Memorandum & article of association to issue to shareholders. | | |
| 1,200,000,000 ordinary shares of Tk. 10 each | 12,000,000,000 | 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 Share of Tk. 10/- each issued for cash | 1,000,000,000 | 1,000,000,000 |
| 259,082,240 ordinary Share of Tk. 10/- each issued as bonus share | 3,169,045,760 | 2,590,822,400 |
| 26,400,000 Right Share of Tk. 10/- each issued as right share | 264,000,000 | 264,000,000 |
| | 4,433,045,760 | 3,854,822,400 |
| 18.2.1 Issued, Subscribed and Paid up Capital | | |
| Balance at the beginning of the year | 3,854,822,400 | 3,212,352,000 |
| Add: Bonus share issued | 578,223,360 | 642,470,400 |
| Closing at the end of the year | 4,433,045,760 | 3,854,822,400 |

| Particulars | | 2013 Taka | 2012 Taka |
|-------------|--|--------------|--------------|
|-------------|--|--------------|--------------|

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.

18.4 Bonus Issue

- 18.4.a The Bank held its 8th EGM on November 03,2011 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.

18.5 Ordinary Shares

| Sponsor | No. of Shares. | % of shareholding | | |
|-----------------------------------|--------------------|-------------------|----------------------|----------------------|
| BRAC | 197,874,032 | 44.64% | 1,978,740,320 | 1,687,353,360 |
| ShoreCap International Ltd. | - | 0.00% | - | 33,290,400 |
| International Finance Corporation | 23,751,552 | 5.36% | 237,515,520 | 206,535,240 |
| Others | 30,231 | 0.01% | 302,310 | 291,960 |
| Non Sponsor | | | | |
| Non Resident Bangladeshis | 1,297,471 | 0.29% | 12,974,710 | 11,521,920 |
| Mutual Funds | 19,539,945 | 4.41% | 195,399,450 | 215,871,560 |
| Institutions & General Public | 200,811,345 | 45.30% | 2,008,113,450 | 1,699,957,960 |
| | 443,304,576 | 100% | 4,433,045,760 | 3,854,822,400 |

18.6 Classification of Shareholding

| <u>Range of Holding of Shares</u> | No. of Shareholders | No. of Shares | Percentage of Holding of Shares |
|-----------------------------------|------------------------|--------------------|------------------------------------|
| Less than 500 | 11,382 | 2,109,513 | 0.48% |
| 500 to 5, 000 | 16,292 | 28,646,462 | 6.46% |
| 5,001 to 10,000 | 1,558 | 11,245,271 | 2.54% |
| 10,001 to 20,000 | 783 | 11,131,401 | 2.51% |
| 20,001 to 30,000 | 249 | 6,054,750 | 1.37% |
| 30,001 to 40,000 | 104 | 3,564,382 | 0.80% |
| 40,001 to 50,000 | 79 | 3,598,687 | 0.81% |
| 50,001 to 100,000 | 139 | 9,926,647 | 2.24% |
| 100,001 to 1,000,000 | 131 | 38,301,530 | 8.64% |
| Over 1000000 | 30 | 328,725,933 | 74.15% |
| Total | 30,747 | 443,304,576 | 100.00% |

18.7 Share Premium

| | | |
|---|----------------------|----------------------|
| 5,000,000 ordinary shares @ Tk. 70 per share | 350,000,000 | 350,000,000 |
| 2,640,000 ordinary shares @ Tk. 400 per share | 1,056,000,000 | 1,056,000,000 |
| | 1,406,000,000 | 1,406,000,000 |

18.8 Particulars of Share Premium

| | No. of Shares. | | |
|---|--------------------|----------------------|----------------------|
| Sponsor: | | | |
| BRAC | 197,874,032 | 335,163,840 | 335,163,840 |
| ShoreCap International Ltd. | - | 92,473,920 | 92,473,920 |
| International Finance Corporation (IFC) | 23,751,552 | 100,298,880 | 100,298,880 |
| Others | 30,231 | 63,360 | 63,360 |
| Non Sponsor: | | | |
| Non Resident Bangladeshis | 1,297,471 | 87,800,000 | 87,800,000 |
| Mutual Funds | 19,539,945 | 87,800,000 | 87,800,000 |
| General Public | 200,811,345 | 702,400,000 | 702,400,000 |
| | 443,304,576 | 1,406,000,000 | 1,406,000,000 |

| Particulars | | 2013 Taka | 2012 Taka |
|--|--|----------------------|----------------------|
| 18.8.a Consolidated Share Premium | | | |
| BRAC Bank Limited | | 1,406,000,000 | 1,406,000,000 |
| BRAC EPL Investments Ltd. | | 147,052,103 | 147,052,103 |
| BRAC EPL Stock Brokerage Ltd. | | - | - |
| B-Kash Ltd. | | 579,916,190 | 187,050,150 |
| BRAC Saajan Exchange Ltd. | | - | - |
| BRAC IT Services Limited | | 477,980 | - |
| | | 2,133,446,272 | 1,740,102,253 |

18.09 Capital Adequacy Ratio - As per BASEL-II

| | 2013 Tk. Consolidated basis | 2013 Tk. SOLO Basis | 2012 Tk. Consolidated basis | 2012 Tk. SOLO Basis |
|--|-----------------------------------|---------------------------|-----------------------------------|---------------------------|
| Tier - I (Core Capital) | | | | |
| Fully paid up capital/ Capital deposited with BB | 4,433,045,760 | 4,433,045,760 | 3,854,822,400 | 3,854,822,400 |
| Statutory reserve | 3,281,594,097 | 3,281,594,097 | 2,934,017,286 | 2,934,017,286 |
| Non-repayable share premium account | 2,133,446,272 | 1,406,000,000 | 1,740,102,253 | 1,406,000,000 |
| General reserve | - | - | - | - |
| Retained Earnings | 2,407,550,889 | 1,722,111,670 | 1,914,456,975 | 1,401,587,740 |
| Minority interest in subsidiaries | 852,981,119 | - | 449,607,676 | - |
| Share money deposit | 23,715,983 | - | 23,741,603 | - |
| Non-cumulative irredeemable preference shares | - | - | - | - |
| Dividend equalization accounts | - | - | - | - |
| Sub-total | 13,132,334,120 | 10,842,751,527 | 10,916,748,193 | 9,596,427,426 |
| Deductable from Tier - I (Core Capital) | | | | |
| Book value of Goodwill | 1,472,292,272 | - | 1,427,468,912 | - |
| Shortfall in provision required against classified assets irrespective of any relaxation allowed | - | - | - | - |
| Deficit on account of revaluation of investment in AFS category | - | - | - | - |
| Any increase in equity capital resulting from a securitization transaction | - | - | - | - |
| Deferred tax income arising from "Loan loss provision" | 1,087,432,941 | 1,087,432,941 | 945,577,274 | 945,577,274 |
| Investment in subsidiary | - | - | - | - |
| Other if any | - | - | - | - |
| Sub-total | 2,559,725,213 | 1,087,432,941 | 2,373,046,187 | 945,577,274 |
| Total eligible Tier - 1 Capital | 10,572,608,907 | 9,755,318,586 | 8,543,702,006 | 8,650,850,151 |
| Tier - II (Supplementary Capital) | | | | |
| General Provision | 1,579,694,969 | 1,435,877,720 | 1,341,623,667 | 1,226,457,889 |
| Asset revaluation reserve | 372,350,971 | 372,350,971 | 279,060,563 | 279,060,563 |
| Preference Share | - | - | - | - |
| Perpetual Subordinated debt | 2,400,000,000 | 2,400,000,000 | 2,563,110,602 | 2,595,255,045 |
| Exchange Equalization Fund | - | - | - | - |
| Sub-total | 4,352,045,940 | 4,208,228,691 | 4,183,794,831 | 4,100,773,498 |
| Deduction (Investment in subsidiary) | - | - | - | - |
| Total eligible Tier - 2 Capital (a) | 4,352,045,940 | 4,208,228,691 | 4,183,794,831 | 4,100,773,498 |
| Tier-3 (eligible for market risk only) | | | | |
| Short term sub-ordinated debt (b) | - | - | - | - |
| Total Supplementary Capital | 4,352,045,940 | 4,208,228,691 | 4,183,794,831 | 4,100,773,498 |
| Total Capital | 14,924,654,847 | 13,963,547,278 | 12,727,496,838 | 12,751,623,649 |
| Total Risk Weighted Assets | 131,707,079,105 | 115,524,063,722 | 122,759,709,784 | 111,494,394,088 |
| Required capital based on Risk Weighted Assets (10.00%) | 13,170,707,911 | 11,552,406,372 | 12,275,970,978 | 11,149,439,409 |
| Surplus/ (Deficiency) | 1,753,946,936 | 2,411,140,905 | 451,525,859 | 1,602,184,240 |
| Capital Adequacy Ratio: | | | | |
| On core capital (against standard of minimum 5%) | 8.03% | 8.44% | 6.96% | 7.76% |
| On actual capital (against standard of minimum 10.00%) | 11.33% | 12.09% | 10.37% | 11.44% |

| Particulars | | 2013 Taka | 2012 Taka |
|--|-------------------|----------------------|----------------------|
| 19 Statutory Reserve | | | |
| Balance at the beginning of the year | | 2,934,017,286 | 2,536,431,462 |
| Add: Transferred from profit during the year | | 347,576,811 | 397,585,824 |
| | | 3,281,594,097 | 2,934,017,286 |
| 19.a Consolidated Statutory Reserve | | | |
| BRAC Bank Limited | | 3,281,594,097 | 2,934,017,286 |
| Off Shore Banking Unit | | - | - |
| BRAC EPL Investments Ltd. | | - | - |
| BRAC EPL Stock Brokerage Ltd. | | - | - |
| B-Kash Ltd. | | - | - |
| BRAC Saajan Exchange Ltd. | | - | - |
| BRAC IT Services Limited | | - | - |
| | | 3,281,594,097 | 2,934,017,286 |
| 20 Revaluation Reserve | | | |
| Revaluation Reserve on Govt. Securities (note - 20.1) | | 228,328,408 | 41,747,591 |
| Assets Revaluation Reserve (note - 20.2) | | 516,373,535 | 516,373,535 |
| | | 744,701,943 | 558,121,126 |
| 20.1 Revaluation Reserve on Govt. Securities | | | |
| | HTM | HFT | Total |
| Balance at the beginning of the year | 28,973,133 | 12,774,458 | 41,747,591 |
| Add: Addition during the year | 24,291,379 | 128,399,516 | 152,690,895 |
| Less: Adjustment during the year | - | 33,889,922 | 33,889,922 |
| | 53,264,512 | 175,063,896 | 228,328,408 |
| | | | 41,747,591 |
| Revaluation reserve is made according to DOS Circular no.-05, dated 26th May 2008. | | | |
| 20.2 Assets Revaluation Reserve | | | |
| Balance at the beginning of the year | | 516,373,535 | - |
| Add: Reserve made during the year | | - | 516,373,535 |
| | | 516,373,535 | 516,373,535 |
| Revaluation of land property recognize in the accounts on the basis of valuation report as on 30 April 2012 which was conducted by an independent professional valuer and its historical cost is Tk. 87.9 million. | | | |
| 20.a Consolidated Revaluation Reserve | | | |
| BRAC Bank Limited | | 744,701,943 | 558,121,126 |
| Off Shore Banking Unit | | - | - |
| BRAC EPL Investments Ltd. | | - | - |
| BRAC EPL Stock Brokerage Ltd. | | - | - |
| B-Kash Ltd. | | - | - |
| BRAC Saajan Exchange Ltd. | | - | - |
| BRAC IT Services Limited | | - | - |
| | | 744,701,943 | 558,121,126 |
| 20.b Share money deposit | | | |
| 20.b.1 Share money deposit in B-Kash Ltd | | | |
| Share money deposited by Money in motion | | 500,030 | 122,222,632 |
| Less: Share money deposited by BBL | | 32 | - |
| Less: Share money transfer to Share | | - | (121,722,602) |
| Net Share money deposit in B-Kash | | 500,062 | 500,030 |
| Share of BRAC Bank (as Parent) on Share money deposit (51%) | | 255,032 | 255,015 |
| In accordance with the memorandum of understanding with "Money in motion" (Minority shareholder with 49% share of B-Kash Ltd.) the banks share of "share money deposit" is disclosed. | | | |
| 20.b.2 Share money deposit in BRAC Saajan Ltd | | | |
| Share money deposited by BRAC Saajan Ltd. | | 26,841,814 | 26,841,814 |
| Exchange difference on translation | | (29,298) | - |
| Less: Share money deposited by BBL | | - | - |
| Share money deposit in BRAC Saajan Ltd. | | 26,812,516 | 26,841,814 |
| Share of BRAC Bank (as Parent) on Share money deposit (87.5%) | | 23,460,952 | 23,486,587 |
| | | 23,715,983 | 23,741,603 |

| Particulars | | 2013 Taka | 2012 Taka | | |
|--|--|--------------------------------------|--------------------|----------------------------------|------------------------------|
| 21 | Surplus in Profit and Loss Account/ Retained Earnings | | | | |
| | Balance at the beginning of the year | 1,401,587,740 | 1,934,731,623 | | |
| | Less: Issue of Bonus Share (15%) | 578,223,360 | 642,470,400 | | |
| | Less: Cash Dividend | - | - | | |
| | Less: Dividend on Preference Share | - | 33,468,750 | | |
| | Add: HTM Loss adjustment (Prior year) | - | - | | |
| | Add: Retained Surplus for the year | 898,747,290 | 142,795,267 | | |
| | | 1,722,111,670 | 1,401,587,740 | | |
| 21.a | Consolidated Surplus in Profit and Loss Account/ Retained Earnings | | | | |
| | BRAC Bank Limited | 1,722,111,670 | 1,401,587,740 | | |
| | Less: Impairment of Goodwill | (30,046,781) | - | | |
| | Add: Retained Surplus from Off Shore Banking (Opening) | 144,724,991 | 72,909,917 | | |
| | Add: Retained Surplus from Off Shore Banking (During the year) | 150,924,112 | 71,815,075 | | |
| | Add: Retained Surplus from BRAC EPL Investments Ltd. (Opening) | 193,946,381 | 101,567,310 | | |
| | Add: Retained Surplus from BRAC EPL Investments Ltd. (During the year) | 132,462,178 | 92,379,070 | | |
| | Add: Retained Surplus from BRAC EPL Stock Brokerage Ltd. (Opening) | 203,382,703 | 194,760,249 | | |
| | Add: Retained Surplus from BRAC EPL Stock Brokerage Ltd. (During the year) | 31,364,167 | 8,622,455 | | |
| | Add: Retained Surplus from B-Kash Ltd. (Opening) | (71,456,741) | (28,988,682) | | |
| | Add: Retained Surplus from B-Kash Ltd. (During the year) | (104,852,118) | (42,468,059) | | |
| | Add: Retained Surplus from BRAC Saajan Ltd. (Opening) | 41,586,993 | 7,339,346 | | |
| | Add: Retained Surplus from BRAC Saajan Ltd. (During the year) | 22,536,510 | 34,247,647 | | |
| | Add: Retained Surplus from BRAC IT Services Ltd. (Opening) | - | - | | |
| | Add: Retained Surplus from BRAC IT Services Ltd. (During the year) | (29,454,418) | - | | |
| | Add: Share of profit from investment in BRAC Asset Management Company Ltd. (Opening) | 1,218,064 | 631,311 | | |
| | Add: Share of profit from investment in BRAC Asset Management Company Ltd. (During the year) | 623,707 | 586,753 | | |
| | Add: Share of profit from investment in BRAC Impact Ventures Limited (Opening) | (533,156) | - | | |
| | Add: Share of profit from investment in BRAC Impact Ventures Limited (During the year) | (987,373) | (533,156) | | |
| | | 2,407,550,889 | 1,914,456,975 | | |
| 22 | Minority Interest | | | | |
| | BRAC EPL Investments Ltd. | 309,437,884 | 267,607,722 | | |
| | BRAC EPL Stock Brokerage Ltd. | 50,291,200 | 46,806,292 | | |
| | B-Kash Ltd. | 479,808,973 | 125,245,850 | | |
| | BRAC IT Services Ltd. | 281,694 | - | | |
| | BRAC Saajan Exchange Ltd. | 13,161,368 | 9,947,812 | | |
| | | 852,981,119 | 449,607,676 | | |
| 22.1 | Calculation of Minority Interest | | | | |
| | <u>BRACEPL Investments Ltd.</u> | <u>BRAC EPL Stock Brokerage Ltd.</u> | <u>B-Kash Ltd.</u> | <u>BRAC Saajan Exchange Ltd.</u> | <u>BRAC IT Services Ltd.</u> |
| | 585,000,000 | 451,500,000 | 38,194,900 | 42,889,757 | 61,224,000 |
| Share Capital | | | | | |
| | 436,825,951 | - | 1,286,205,568 | - | 937,215 |
| Share Premium | | | | | |
| | - | - | 505,162 | 26,812,516 | - |
| Share money deposit | | | | | |
| | 267,498,566 | 51,411,997 | (345,703,644) | 35,588,669 | (61,586,329) |
| Retained Earnings | | | | | |
| Total net assets as at 31 December 2013 | 1,289,324,517 | 502,911,997 | 979,201,986 | 105,290,942 | 574,886 |
| Minority Interest at 31 December 2013 | 309,437,884 | 50,291,200 | 479,808,973 | 13,161,368 | 281,694 |
| Total net assets as at 31 December 2012 | 1,115,032,178 | 468,062,922 | 255,603,775 | 79,582,500 | - |
| Minority Interest as at 31 December 2012 | 267,607,723 | 46,806,292 | 125,245,850 | 9,947,812 | - |

| Particulars | 2013 Taka | 2012 Taka |
|--|-----------------------|-----------------------|
| 23 Contingent Liabilities | | |
| Acceptances and endorsements | - | 149,723,080 |
| Import Letters Of Credit - Sight | 3,421,341,644 | 3,815,766,460 |
| Import Letters Of Credit - Usance | 13,624,203,874 | 6,432,561,469 |
| Import Letters Of Credit - Back to Back | 1,094,034,739 | 709,898,212 |
| Guarantees Issued (Note 23.2) | 6,383,222,685 | 4,740,297,069 |
| Tax Liability (Note 23.6) | 143,894,928 | 143,894,928 |
| Bills for collection (Note 23.4) | 513,609,666 | 405,799,599 |
| Contingent Assets - FX deals | 3,027,317,026 | 1,731,876,521 |
| Stock of Travellers Cheques (TC) | 4,113,044 | 4,224,594 |
| Stock of Govt. Sanchaya Patra | 12,851,000 | 12,851,000 |
| Securities under repo with other bank | - | - |
| | 28,224,588,607 | 18,146,892,932 |
| 23.1 Significant concentration wise grouping | | |
| i) Documentary credits and short term trade related transactions: | 25,036,412,610 | 16,254,045,889 |
| 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) Other exchange contracts | 3,044,281,070 | 1,748,952,115 |
| iv) Others | 143,894,928 | 143,894,928 |
| | 28,224,588,607 | 18,146,892,932 |
| 23.2 Letter of Guarantee | | |
| Letter of Guarantee (Local) | 5,387,532,976 | 3,815,187,461 |
| Letter of Guarantee (Foreign) | 995,689,889 | 925,109,608 |
| Foreign counter Guarantee | - | - |
| | 6,383,222,865 | 4,740,297,069 |
| Less: margin | 64,575,237 | 93,969,838 |
| | 6,318,647,629 | 4,646,327,231 |
| Balance for which the Bank is contingently liable in respect of guarantee issued favouring: | | |
| Directors | - | - |
| Government | 2,234,128,002 | 1,422,089,121 |
| Bank and other financial institution | 1,277,800,000 | 521,432,678 |
| Others | 2,871,294,863 | 2,796,775,271 |
| | 6,383,222,865 | 4,740,297,069 |
| Less : Margin | 64,575,237 | 93,969,838 |
| | 6,318,647,629 | 4,646,327,231 |
| 23.3 Irrevocable Letter of Credit | | |
| Letter of Credit (Inland) | 271,196,676 | 276,091,845 |
| Letter of Credit (General) | 11,021,917,444 | 9,972,236,084 |
| Back to Back L/C | 279,770,975 | 709,898,212 |
| Back to Back Bills | 1,329,623,703 | - |
| Back to Back Bills (EDF) | 1,171,678,343 | - |
| Bank's Liabilities - PAD (DEF) | - | - |
| | 14,074,187,141 | 10,958,226,141 |
| Less: Margin | 759,827,987 | 584,064,954 |
| | 13,314,359,154 | 10,374,161,187 |
| 23.4 Bills for collection | | |
| Outward local bills for collection | 513,609,666 | 405,799,599 |
| Outward foreign bills for collection | - | - |
| Inward local bills for collection | - | - |
| Inward foreign bills for collection | - | - |
| | 513,609,666 | 405,799,599 |
| 23.5 Suit filed by the Bank | | |
| No law suit filed by the bank against contingent liabilities. | | |
| 23.6 Contingent Liabilities (Taxation) | | |
| Local & Revenue Audit Office has issued a demand of BDT 55,165,078 against VAT audit for the Income year 2006 and BDT 88,729,850 against VAT audit for the Income year 2010. The Bank has filed a writ petition to The Supreme Court of Bangladesh, High Court Division against the said demand. Writ petition numbers are 5005 and 692. | | |

| | Particulars | 2013 Taka | 2012 Taka |
|------|--|-----------------------|-----------------------|
| 23.a | Consolidated Contingent liabilities | | |
| | BRAC Bank Limited | 28,224,588,607 | 18,146,892,932 |
| | Off Shore Banking Unit | - | - |
| | BRAC EPL Investments Ltd. | 28,800,000 | 159,000,000 |
| | BRAC EPL Stock Brokerage Ltd. | - | - |
| | B-Kash Ltd. | - | - |
| | BRAC Saajan Exchange Ltd. | - | - |
| | BRAC IT Services Limited | - | - |
| | | 28,253,388,607 | 18,305,892,932 |

Section -Three: Notes to Profit & loss Account

| | | | |
|------|--|-----------------------|-----------------------|
| 24 | Income statement | | |
| | Income: | | |
| | Interest, discount and similar income (Note-24.1) | 19,928,508,112 | 17,896,383,838 |
| | Dividend income (Note-27) | 77,954,797 | 74,546,545 |
| | Fees, commission and brokerage (Note-24.2) | 2,223,769,188 | 2,192,097,885 |
| | Gains less losses arising from dealing securities | - | - |
| | Gains less losses arising from investment securities | 172,906,284 | 8,127,871 |
| | Gains less losses arising from dealing from foreign currencies (Note-28) | 385,729,774 | 333,368,691 |
| | Gain less losses arising from REPO | 232,271,533 | 459,191,524 |
| | Income from non-banking assets | - | - |
| | Other operating income (Note-29) | 510,143,529 | 320,204,951 |
| | Profit less losses on interest rate changes | - | - |
| | Nominal value of bonus share received | - | - |
| | | 23,531,283,217 | 21,283,921,305 |
| | Expenses: | | |
| | Interest, fees and commission (Note-26) | 11,042,602,024 | 10,195,401,072 |
| | Losses arising from dealing securities | 27,845,793 | 193,718,466 |
| | Administrative expenses (Note-24.3) | 4,755,977,308 | 4,001,057,456 |
| | Other operating expenses (Note-38) | 1,198,694,630 | 1,093,617,786 |
| | Depreciation on banking assets (Note-37) | 581,286,696 | 654,930,517 |
| | | 17,606,406,451 | 16,138,725,297 |
| | Operating Profit | 5,924,876,766 | 5,145,196,008 |
| 24.1 | Interest, discount and similar income | | |
| | Interest on loans and advances | 16,840,503,017 | 15,988,599,386 |
| | Interest on money at call and short notice | 50,202,400 | 92,544,821 |
| | Interest on balance with other banks | 12,662,017 | 14,523,099 |
| | Interest on treasury bills & bonds | 2,154,572,610 | 1,130,851,373 |
| | Interest on fixed deposits with other banks | 808,206,459 | 617,901,598 |
| | Interest on coupon bearing bond | 62,361,609 | 51,963,561 |
| | Interest on zero coupon bond | - | - |
| | | 19,928,508,112 | 17,896,383,838 |
| 24.2 | Fees, commission and brokerage | | |
| | Fees | 1,713,488,875 | 1,717,567,834 |
| | Commission | 510,280,313 | 474,530,051 |
| | | 2,223,769,187 | 2,192,097,885 |
| 24.3 | Administrative expenses | | |
| | Salaries and allowances | 2,801,760,345 | 2,506,620,735 |
| | Rent, taxes, insurance, electricity etc. | 852,027,480 | 659,435,061 |
| | Legal expenses | 67,910,910 | 31,384,698 |
| | Postage, stamps, telecommunication etc. | 200,248,690 | 169,498,124 |
| | Stationery, printing, advertisement etc. | 273,898,858 | 221,169,733 |
| | Chief Executive's salary & fees | 12,954,750 | 11,921,417 |
| | Directors' fees & expenses | 523,862 | 511,750 |
| | Auditors' fee | 900,000 | 867,800 |
| | Repairs & maintenance of fixed assets | 545,752,411 | 399,648,138 |
| | | 4,755,977,308 | 4,001,057,456 |

| Particulars | | 2013 Taka | 2012 Taka |
|-------------|--|-----------------------|-----------------------|
| 25 | Interest Income | | |
| | Interest on loans and advances - | | |
| | Retail | 2,720,401,206 | 2,770,853,363 |
| | Corporate | 5,029,916,734 | 4,299,673,332 |
| | Lease Finance | 216,030,859 | 232,649,605 |
| | SME | 8,303,131,048 | 8,154,651,681 |
| | Credit Cards | 547,689,344 | 508,676,956 |
| | Staff | 23,333,826 | 22,094,449 |
| | | 16,840,503,017 | 15,988,599,386 |
| | Interest on money at call and short notice | 50,202,400 | 92,544,821 |
| | Interest on balance with other banks | 12,662,017 | 14,523,099 |
| | Interest on fixed deposits with other banks | 808,206,459 | 617,901,598 |
| | | 17,711,573,893 | 16,713,568,904 |
| 25.a | Consolidated Interest Income | | |
| | BRAC Bank Limited | 17,711,573,893 | 16,713,568,904 |
| | Off Shore Banking Unit | 510,642,769 | 347,170,400 |
| | BRAC EPL Investments Ltd. | 701,673,200 | 678,154,382 |
| | BRAC EPL Stock Brokerage Ltd. | - | 9,487,822 |
| | B-Kash Ltd. | 340,723,584 | - |
| | BRAC Saajan Exchange Ltd. | 1,933,644 | - |
| | BRAC IT Services Limited | - | - |
| | Less: Inter-company transaction: | | |
| | Interest income from BRAC EPL Investment Ltd. | 550,855,028 | 220,336,349 |
| | | 18,715,692,063 | 17,528,045,159 |
| 26 | Interest Paid on Deposits and Borrowing etc. | | |
| | Interest on deposits | | |
| | Current | 1,216,645,213 | 1,185,193,215 |
| | STD | 319,877,356 | 422,906,719 |
| | Savings | 745,925,102 | 742,999,129 |
| | Term | 7,472,675,793 | 7,052,174,268 |
| | | 9,755,123,465 | 9,403,273,331 |
| | Interest on money at call and short notice | 354,199,379 | 93,235,070 |
| | Interest on local bank accounts | 368,751,402 | 135,212,116 |
| | Interest on dealing of securities - HFT Instruments | - | - |
| | Interest on Off shore banking | - | - |
| | Interest on REPO | - | - |
| | Interest on BBL bond issue | 564,527,779 | 563,680,555 |
| | | 11,042,602,024 | 10,195,401,072 |
| 26.a | Consolidated Interest Paid on Deposits and Borrowing etc. | | |
| | BRAC Bank Limited | 11,042,602,024 | 10,195,401,072 |
| | Off Shore Banking Unit | 328,407,933 | 207,140,757 |
| | BRAC EPL Investments Ltd. | 494,800,641 | 521,370,403 |
| | BRAC EPL Stock Brokerage Ltd. | 20,294,179 | - |
| | B-Kash Ltd. | - | - |
| | BRAC Saajan Exchange Ltd. | 39,645,294 | - |
| | BRAC IT Services Limited | 3,806,145 | - |
| | Less: Inter-company transaction: | | |
| | Interest income from BRAC EPL Investment Ltd. | 550,855,028 | 220,336,349 |
| | | 11,378,701,188 | 10,703,575,883 |
| 27 | Investment Income | | |
| | Interest on treasury bills & bonds | 2,154,572,610 | 1,130,851,373 |
| | Gain/ (Loss) on dealing of securities - HFT Instruments | (27,845,793) | (193,718,466) |
| | Gain on reverse REPO | 232,271,533 | 459,191,524 |
| | Dividend on preference shares | 19,951,620 | 26,078,768 |
| | Interest on coupon bearing bond | 62,361,609 | 51,963,561 |
| | Capital gain on coupon bearing bond | - | - |
| | Gain on trading shares (Realized) | 172,906,284 | 8,127,871 |
| | Dividend on ordinary shares | 58,003,177 | 48,467,777 |
| | Dividend Income from Subsidiaries | - | - |
| | Interest on zero coupon bond | - | - |
| | Interest income in public traded share | - | - |
| | | 2,672,221,040 | 1,530,962,408 |

| Particulars | | 2013 Taka | 2012 Taka |
|-------------|--|----------------------|----------------------|
| 27.a | Consolidated Investment Income | | |
| | BRAC Bank Limited | 2,672,221,040 | 1,530,962,408 |
| | Off Shore Banking Unit | - | - |
| | Subsidiaries: | | |
| | BRAC EPL Investments Ltd. | 90,935,769 | (551,293) |
| | BRAC EPL Stock Brokerage Ltd. | 3,255,277 | 4,947,994 |
| | B-Kash Ltd. | - | - |
| | BRAC Saajan Exchange Ltd. | - | - |
| | BRAC IT Services Limited | - | - |
| | Associate: | | |
| | Share of profit/ (loss) from associate | (363,666) | 586,753 |
| | | 2,766,048,421 | 1,535,945,862 |
| 28 | Commission, Exchange and Brokerage | | |
| | Commission from sale of sanchaya patra | 4,826,981 | 1,861,901 |
| | Commission from issue of payment orders, DD & TT | 20,297,146 | 17,492,502 |
| | Commission from issue of letter of guarantee | 51,452,055 | 58,653,514 |
| | Commission from issue of letters of credit (Import & Export) | 314,754,138 | 256,403,345 |
| | Commission on visa processing | 10,856,119 | 9,721,654 |
| | Commission on Travellers Cheques | 163 | 309,242 |
| | Commission on remittance | 105,350,389 | 127,619,635 |
| | Other commission | 2,743,321 | 2,468,257 |
| | Foreign exchange earnings | 385,729,774 | 333,368,691 |
| | Loan processing fees | 510,963,624 | 637,598,907 |
| | Account activity fees | 266,026,670 | 233,025,230 |
| | Import & export related fees | 23,316,558 | 13,746,007 |
| | Fees & Commission-Cards | 520,573,579 | 436,734,580 |
| | Relationship Fees | 12,058,714 | 16,383,264 |
| | Loan Early Settlement Fees | 30,520,775 | 25,993,117 |
| | Loan Penal Interest | 19,972,265 | 10,227,059 |
| | Service Charges for ATM Card | 231,373,158 | 264,464,411 |
| | Fund Collection/ Transfer Fees | 7,500 | 171,200 |
| | Student Service Center Fees | 2,526,200 | 1,954,500 |
| | Cancellation fees | 120,100 | 120,600 |
| | Cheque collection fees | 431,527 | 3,045,352 |
| | Trade Finance Charges | 1,677,437 | - |
| | Other fees (Note : 28.1) | 93,920,769 | 74,103,605 |
| | | 2,609,498,962 | 2,525,466,576 |
| 28.1 | Other fees | | |
| | Passport Endorsement Fees | 4,179,710 | 4,304,894 |
| | Locker fees | 5,810,430 | 5,058,163 |
| | Service fees - ATM | 49,761 | - |
| | DPS Early Settlement Fees | - | - |
| | Merchant Service Fee | - | 140,000 |
| | Service fees - BIT | 927,170 | 1,164,542 |
| | IOM Service Fees | 1,713,511 | 1,289,049 |
| | Annual Membership Fees-Premium Banking | 165,200 | 177,000 |
| | Membership Fees-ELDORADO | 5,349,361 | 7,160,894 |
| | Annual Fees-SMS Banking | 62,959,657 | 46,246,749 |
| | Cash withdrawal from branch POS | 50 | 350 |
| | Syndication Fees | 7,879,107 | 4,805,113 |
| | Valuation fees | 4,886,810 | 3,756,853 |
| | Omnibus settlement fees | - | - |
| | | 93,920,769 | 74,103,605 |
| 28.a | Consolidated Commission, Exchange and Brokerage | | |
| | BRAC Bank Limited | 2,609,498,962 | 2,525,466,576 |
| | Off Shore Banking Unit | - | - |
| | BRAC EPL Investments Ltd. | 137,603,218 | 126,203,567 |
| | BRAC EPL Stock Brokerage Ltd. | 231,978,370 | 153,864,398 |
| | B-Kash Ltd. | 352,534,427 | 34,240,668 |
| | BRAC Saajan Exchange Ltd. | 146,086,090 | 124,225,564 |
| | BRAC IT Services Limited | 89,655,455 | - |
| | | 3,567,356,522 | 2,964,000,773 |

| Particulars | | 2013 Taka | 2012 Taka |
|-------------|--|----------------------|----------------------|
| 29 | Other operating income | | |
| | Recovery of written off bad debts | 454,365,129 | 251,683,293 |
| | Profit on sale of assets | (4,569,664) | 2,804,189 |
| | Rebate income from other bank | 23,869,078 | 25,319,669 |
| | Miscellaneous Income | 36,478,986 | 40,397,799 |
| | | 510,143,529 | 320,204,951 |
| 29.a | Consolidated Other operating income | | |
| | BRAC Bank Limited | 510,143,529 | 320,204,951 |
| | Off Shore Banking Unit | 12,290,417 | 17,115,471 |
| | BRAC EPL Investments Ltd. | 3,495,399 | 7,323,057 |
| | BRAC EPL Stock Brokerage Ltd. | 67,959,477 | 38,540,563 |
| | B-Kash Ltd. | 132,246,591 | 44,272,022 |
| | BRAC Saajan Exchange Ltd. | 10,497,622 | 4,983,887 |
| | BRAC IT Services Limited | | |
| | | 736,633,034 | 432,439,952 |
| 30 | Consolidated Salaries and allowances | | |
| | BRAC Bank Limited | 2,801,760,345 | 2,519,815,735 |
| | Off Shore Banking Unit | 8,186,914 | 8,187,503 |
| | BRAC EPL Investments Ltd. | 91,010,949 | 81,004,915 |
| | BRAC EPL Stock Brokerage Ltd. | 91,577,149 | 70,223,608 |
| | B-Kash Ltd. | 257,452,032 | 100,736,669 |
| | BRAC Saajan Exchange Ltd. | 47,114,231 | 31,101,489 |
| | BRAC IT Services Limited | 78,499,307 | |
| | | 3,375,600,927 | 2,811,069,919 |
| 31 | Rent, Taxes, Insurance, Electricity etc. | | |
| | Rent, rates & taxes | 639,313,304 | 524,988,611 |
| | Insurance | 73,891,874 | 29,422,768 |
| | Power & electricity | 128,715,083 | 99,121,012 |
| | WASA & Sewerage | 10,107,219.22 | 5,902,670 |
| | | 852,027,480 | 659,435,061 |
| 31.a | Consolidated Rent, Taxes, Insurance, Electricity etc. | | |
| | BRAC Bank Limited | 852,027,480 | 659,435,061 |
| | Off Shore Banking Unit | 2,519,051 | 2,519,232 |
| | BRAC EPL Investments Ltd. | 24,528,834 | 23,270,021 |
| | BRAC EPL Stock Brokerage Ltd. | 19,191,600 | 18,178,604 |
| | B-Kash Ltd. | 5,959,260 | 16,864,033 |
| | BRAC Saajan Exchange Ltd. | 6,523,796 | 3,913,973 |
| | BRAC IT Services Limited | - | - |
| | | 910,750,021 | 724,180,924 |
| 32 | Consolidated Legal expenses | | |
| | BRAC Bank Limited | 67,910,910 | 31,384,698 |
| | Off Shore Banking Unit | - | - |
| | BRAC EPL Investments Ltd. | 4,654,574 | 5,801,052 |
| | BRAC EPL Stock Brokerage Ltd. | - | 391,884 |
| | B-Kash Ltd. | 12,791,572 | 109,794 |
| | BRAC Saajan Exchange Ltd. | 2,170,910 | 503,932 |
| | BRAC IT Services Limited | - | - |
| | | 87,527,967 | 38,191,360 |
| 33 | Postage, Stamp, Telecommunication etc | | |
| | Postage & courier | 38,416,154 | 33,924,962 |
| | Telegram, telex, fax & Network | 71,825,150 | 63,349,262 |
| | Court fees & stamps | 7,941,947 | 4,180,216 |
| | Telephone-Office | 82,065,439 | 68,043,684 |
| | Telephone-Residence | - | - |
| | | 200,248,690 | 169,498,124 |

| Particulars | | 2013 Taka | 2012 Taka |
|---|--|--------------------|--------------------|
| 33.a Consolidated Postage, Stamp, Telecommunication etc | | | |
| BRAC Bank Limited | | 200,248,690 | 169,498,124 |
| Off Shore Banking Unit | | - | - |
| BRAC EPL Investments Ltd. | | 11,318,578 | 8,702,473 |
| BRAC EPL Stock Brokerage Ltd. | | 19,949,318 | 33,639,164 |
| B-Kash Ltd. | | 19,482,864 | 10,299,549 |
| BRAC Saajan Exchange Ltd. | | 8,051,359 | 2,052,593 |
| BRAC IT Services Limited | | - | - |
| | | 259,050,809 | 224,191,903 |
| 34 Stationery, Printing, Advertisement etc. | | | |
| Stationery & Printing | | 91,775,814 | 94,267,310 |
| Security Stationery | | 38,517,062 | 28,176,975 |
| Advertisement | | 143,605,982 | 98,725,448 |
| Billboard Rent | | 20,253,161 | 31,992,931 |
| Printing | | 24,571,778 | 4,513,889 |
| Publications | | 37,197,509 | 24,665,956 |
| Campaign | | 61,583,533 | 37,552,671 |
| | | 273,898,858 | 221,169,733 |
| 34.a Consolidated Stationery, Printing, Advertisement etc. | | | |
| BRAC Bank Limited | | 273,898,858 | 221,169,733 |
| Off Shore Banking Unit | | 125,953 | 125,962 |
| BRAC EPL Investments Ltd. | | 2,496,296 | 3,777,229 |
| BRAC EPL Stock Brokerage Ltd. | | 1,625,890 | 6,968,256 |
| B-Kash Ltd. | | 611,980,518 | 3,678,141 |
| BRAC Saajan Exchange Ltd. | | 7,853,980 | 4,169,833 |
| BRAC IT Services Limited | | - | - |
| | | 897,981,495 | 239,889,154 |
| 35 Directors' Fees & Expenses | | | |
| Director's fees represent fees paid for attending board meeting, board audit committee meeting, board recruitment committee meeting @ Tk. 5,000 per director per meeting and travel & accommodation expenses of foreign Director for attending the Board meeting. | | | |
| Breakup of Directors fees & expenses are given below: | | | |
| Directors Fees | | 360,000 | 360,000 |
| Travelling & Others | | 163,862 | 151,750 |
| | | 523,862 | 511,750 |
| 35.a Consolidated Director's Fees & Expenses | | | |
| BRAC Bank Limited | | 523,862 | 511,750 |
| Off Shore Banking Unit | | - | - |
| BRAC EPL Investments Ltd. | | 931,500 | 900,750 |
| BRAC EPL Stock Brokerage Ltd. | | 615,000 | 525,000 |
| B-Kash Ltd. | | 1,923,702 | 1,589,400 |
| BRAC Saajan Exchange Ltd. | | - | - |
| BRAC IT Services Limited | | - | - |
| | | 3,994,064 | 3,526,900 |
| 36 Auditors' Fee | | 900,000 | 867,800 |
| 36.a Consolidated Auditors' fee | | | |
| BRAC Bank Limited | | 900,000 | 867,800 |
| Off Shore Banking Unit | | - | - |
| BRAC EPL Investments Ltd. | | 253,000 | 230,000 |
| BRAC EPL Stock Brokerage Ltd. | | 115,500 | 114,500 |
| B-Kash Ltd. | | 405,094 | 150,000 |
| BRAC Saajan Exchange Ltd. | | 1,559,473 | 1,479,861 |
| BRAC IT Services Limited | | - | - |
| | | 3,233,067 | 2,842,161 |

| Particulars | | 2013 Taka | 2012 Taka |
|-------------|---|----------------------|----------------------|
| 37 | Depreciation on and repairs to bank's assets | | |
| | Depreciation of Property plant and equipments | | |
| | Furniture & fixtures | 119,293,199 | 110,000,660 |
| | Office equipments | 152,778,700 | 160,756,062 |
| | IT hardware | 194,304,384 | 231,762,283 |
| | Motor vehicles | 16,152,937 | 15,954,526 |
| | Amortization of Intangible assets | | |
| | IT software | 98,757,476 | 136,456,986 |
| | | 581,286,696 | 654,930,517 |
| | Repairs & Maintenance expenses | | |
| | Transport Maintenance | 126,916,944 | 105,122,918 |
| | Equipment Maintenance | 54,019,027 | 43,707,259 |
| | Hardware & Software Maintenance | 328,522,338 | 229,055,722 |
| | Premises Maintenance | 36,294,103 | 21,762,239 |
| | | 545,752,411 | 399,648,138 |
| | | 1,127,039,107 | 1,054,578,655 |
| 37.a | Consolidated Depreciation on and repairs to bank's assets | | |
| | BRAC Bank Limited | 1,127,039,107 | 1,054,578,655 |
| | Off Shore Banking Unit | - | - |
| | BRAC EPL Investments Ltd. | 20,900,973 | 23,841,351 |
| | BRAC EPL Stock Brokerage Ltd. | 21,570,991 | 20,892,583 |
| | B-Kash Ltd. | 94,301,674 | 40,229,700 |
| | BRAC Saajan Exchange Ltd. | 2,655,608 | 3,978,879 |
| | BRAC IT Services Limited | - | - |
| | | 1,266,468,354 | 1,143,521,168 |
| 38 | Other Expenses | | |
| | Transportation & conveyance | 41,894,600 | 44,504,281 |
| | Fuel expenses | 51,056,691 | 49,026,334 |
| | Travelling | 44,278,788 | 45,003,372 |
| | Professional fees | 29,225,108 | 27,980,828 |
| | Entertainment | 9,431,944 | 3,662,063 |
| | Staff welfare | 27,940,028 | 19,935,102 |
| | SWIFT | 4,618,633 | 2,706,557 |
| | Business development | 20,406,770 | 19,428,079 |
| | Books, newspapers and periodicals | 589,217 | 508,438 |
| | Donation and subscription | 11,473,940 | 10,955,653 |
| | VAT & excise duty | 38,039,031 | 74,802,486 |
| | Fraud, forgeries & operating loss | 15,016,898 | 24,276,779 |
| | Staff training | 31,096,052 | 11,050,071 |
| | Staff liveries | 1,512,000 | 1,348,500 |
| | Staff recruitment | 1,050,725 | 464,277 |
| | Payment to outsourcing staff | 196,322,448 | 193,266,461 |
| | Bank charges | 113,475,972 | 148,459,924 |
| | Finance charge on leased assets | - | - |
| | Crockeries | 801,902 | 556,910 |
| | IPO Expenses | 8,620,300 | 14,967,000 |
| | Documentation Charges - CIB | 5,321,421 | 3,359,400 |
| | IT enabled services | 81,122,815 | - |
| | Credit card expenses | 190,417,501 | 112,170,591 |
| | AGM expenses | 3,875,000 | 10,500,000 |
| | Right issue expenses | 12,000,000 | 1,207,500 |
| | Bond issue expenses | 4,550,102 | 2,950,826 |
| | Outsource agency fees | 187,074,362 | 175,113,213 |
| | Commission paid | 8,931,998 | 16,990,265 |
| | Cash carrying charges | 56,550,265 | 64,804,298 |
| | Miscellaneous | 2,000,119 | 423,576 |
| | | 1,198,694,630 | 1,080,422,787 |

| Particulars | 2013 Taka | 2012 Taka |
|---|----------------------|----------------------|
| 38.a Consolidated Other Expenses | | |
| BRAC Bank Limited | 1,198,694,630 | 1,080,422,787 |
| Off Shore Banking Unit | 1,763,335 | 1,763,462 |
| BRAC EPL Investments Ltd. | 8,585,209 | 6,713,794 |
| BRAC EPL Stock Brokerage Ltd. | 26,551,418 | 5,677,538 |
| B-Kash Ltd. | 117,862,918 | 20,573,557 |
| BRAC Saajan Exchange Ltd. | 9,384,567 | 36,258,935 |
| BRAC IT Services Limited | 55,374,227 | |
| | 1,418,216,304 | 1,151,410,073 |

39 Provisions

For Loans & Advances:

| | | |
|--|----------------------|----------------------|
| For classified loans & advances | 2,721,407,785 | 3,302,774,899 |
| For unclassified loans & advances | 110,223,172 | (421,641,414) |
| | 2,831,630,957 | 2,881,133,485 |
| For Off Balance Sheet items | 20,941,567 | - |
| For diminution in value of Investments | 47,500,000 | 276,133,403 |
| | 2,900,072,524 | 3,157,266,888 |

39.a Consolidated Provisions

| | | |
|-------------------------------|----------------------|----------------------|
| BRAC Bank Limited | 2,900,072,524 | 3,157,266,888 |
| Off Shore Banking Unit | 31,005,888 | 72,733,882 |
| BRAC EPL Investments Ltd. | - | - |
| BRAC EPL Stock Brokerage Ltd. | - | - |
| B-Kash Ltd. | - | - |
| BRAC Saajan Exchange Ltd. | - | - |
| BRAC IT Services Limited | 2,625,000 | |
| | 2,933,703,411 | 3,230,000,770 |

40 Income Tax

40.1 Provision for Income Tax

Current Tax

Provision for Income Tax has been made according to the Income Tax Ordinance, 1984. During the year, an amount of Tk. 1,797,698,269 (2012 : 1,530,000,000) has been provided for current Income Tax.

Deferred Tax

Deferred tax is provided using the liability method for timing differences arising between the tax base of assets and liabilities and their carrying values for reporting purposes as per Bangladesh Accounting Standard (BAS) - 12. During the period net amount of Tk. 19,218,128 (2012 : 82,451,971) has been provided as deferred Tax income.

The charge for taxation is based upon the profit for the year comprises:

| | | |
|---|----------------------|----------------------|
| Current tax on taxable income @ 42.5% | 1,797,698,269 | 1,530,000,000 |
| Adjustment - prior year | - | - |
| | 1,797,698,269 | 1,530,000,000 |
| Net deferred Tax liability/(asset) originated | (19,218,128) | (82,451,971) |
| Income Tax on Profit | 1,778,480,141 | 1,447,548,029 |

| Particulars | | 2013 Taka | 2012 Taka |
|---|----------------------|----------------------|--------------|
| 40.a Consolidated Provision for Income Tax | | | |
| Current Tax: | | | |
| BRAC Bank Limited | 1,797,698,269 | 1,530,000,000 | |
| Off Shore Banking Unit | - | - | |
| BRAC EPL Investments Ltd. | 99,934,693 | 14,584,413 | |
| BRAC EPL Stock Brokerage Ltd. | 66,853,004 | 40,649,135 | |
| B-Kash Ltd. | (84,920,393) | 3,591,416 | |
| BRAC Saajan Exchange Ltd. | 7,802,126 | 6,609,787 | |
| BRAC IT Services Limited | | | |
| | 1,887,367,700 | 1,595,434,751 | |
| Deferred Tax: | | | |
| BRAC Bank Limited | (19,218,128) | (82,451,971) | |
| Off Shore Banking Unit | - | - | |
| BRAC EPL Investments Ltd. | - | (618,096) | |
| BRAC EPL Stock Brokerage Ltd. | - | - | |
| B-Kash Ltd. | - | (36,038,865) | |
| BRAC Saajan Exchange Ltd. | - | - | |
| | (19,218,128) | (119,108,931) | |
| | 1,868,149,572 | 1,476,325,820 | |
| 41 Weighted Average Earnings Per Share | | | |
| Profit after taxation | 1,246,324,101 | 540,381,091 | |
| Less: Preference dividend | - | (33,468,750) | |
| Profit attributable for distribution to ordinary shareholders | 1,246,324,101 | 506,912,341 | |
| Weighted average number of shares | 443,304,576 | 443,304,576 | |
| Weighted average/ adjusted earnings per share (Taka) | 2.81 | 1.14 | |
| Weighted average earnings per share (EPS) of 2012 has been restated as per BAS-33 "Earnings per Share". | | | |
| 41.a Consolidated Weighted Average Earnings Per Share | | | |
| Profit after taxation | 1,339,351,330 | 699,784,295 | |
| Less: | | | |
| Preference dividend | - | 33,468,750 | |
| Profit attributable to Minority | (80,033,522) | (5,779,736) | |
| Profit attributable for distribution to ordinary shareholders | 1,419,384,852 | 672,095,281 | |
| Weighted average number of shares | 443,304,576 | 443,304,576 | |
| Weighted average/ adjusted earnings per share (Taka) | 3.20 | 1.52 | |

Weighted average earnings per share (EPS) of 2012 has been restated as per BAS-33 "Earnings per Share".

| Particulars | 2013 Taka | 2012 Taka |
|-------------|--------------|--------------|
|-------------|--------------|--------------|

SECTION - FOUR : NOTES TO CASH FLOW STATEMENT

| | | |
|--|-----------------------|-----------------------|
| 42 Cash & Cash Equivalent | | |
| Cash in hand (including foreign currency) | 8,525,477,864 | 4,749,600,127 |
| Balance with Bangladesh Bank and its agents banks (including foreign currency) | 8,618,833,020 | 8,831,070,371 |
| Balance with other banks and financial institutions | 15,838,931,243 | 15,320,967,135 |
| Money at call and on short notice | - | - |
| | 32,983,242,127 | 28,901,637,632 |
| 42.a Consolidated Cash & Cash Equivalent | | |
| BRAC Bank Limited | 32,983,242,127 | 24,032,635,960 |
| Off Shore Banking Unit | 1,948,114,253 | 71,229,745 |
| BRAC EPL Investments Ltd. | 30,444,789 | 26,648,217 |
| BRAC EPL Stock Brokerage Ltd. | 492,675,329 | 375,064,655 |
| B-Kash Ltd. | 4,909,402,841 | 1,460,516 |
| BRAC Saajan Exchange Ltd. | 151,064,309 | 53,031,592 |
| BRAC IT Services Limited | 17,005,871 | - |
| Less: Inter-company balances | (11,883,453,178) | - |
| | 28,648,496,341 | 24,560,070,685 |
| 43 Receipts from other operating activities | | |
| Recovery of written off bad debts | 454,365,129 | 251,683,293 |
| Profit on sale of assets | (4,569,664) | 2,804,189 |
| Misc. Income | 36,478,986 | 40,397,799 |
| Capital gain on coupon bearing bond | - | - |
| Gain on trading shares | 172,906,284 | 8,127,871 |
| Rebate income from other bank | 23,869,078 | 25,319,669 |
| | 683,049,812 | 328,332,822 |
| 43.a Consolidated Receipts from other operating activities | | |
| BRAC Bank Limited | 683,049,812 | 328,332,822 |
| Off Shore Banking Unit | 12,290,417 | 17,115,471 |
| BRAC EPL Investments Ltd. | 92,149,445 | (99,169,842) |
| BRAC EPL Stock Brokerage Ltd. | 30,639,167 | 21,922,325 |
| B-Kash Ltd. | - | - |
| BRAC Saajan Exchange Ltd. | 10,497,622 | 4,646,634 |
| BRAC IT Services Limited | - | - |
| | 828,626,462 | 272,847,411 |
| 44 Payment for other operating activities | | |
| Rent, taxes, insurance, electricity etc. | 835,218,158 | 649,372,671 |
| Audit fees | 847,500 | 747,800 |
| Directors fees & expenses | 523,862 | 511,750 |
| Repair & maintenance | 385,076,525 | 331,356,009 |
| Other expenses | 1,437,845,669 | 902,597,339 |
| Legal expenses | 41,256,883 | 31,304,177 |
| | 2,700,768,597 | 1,915,889,745 |
| 44.a Consolidated Payment for other operating activities | | |
| BRAC Bank Limited | 2,700,768,597 | 1,915,889,745 |
| Off Shore Banking Unit | 12,595,253 | 12,596,158 |
| BRAC EPL Investments Ltd. | 66,178,848 | - |
| BRAC EPL Stock Brokerage Ltd. | - | 122,167,812 |
| B-Kash Ltd. | - | - |
| BRAC Saajan Exchange Ltd. | 122,303,610 | 80,814,309 |
| BRAC IT Services Limited | - | - |
| | 2,901,846,308 | 2,131,468,025 |

SECTION - FIVE : GENERAL DISCLOSURES

45 General Disclosure

45.1 Audit Committee

An audit committee was constituted by the Board of Directors of BRAC Bank in its 23rd meeting held on March 02, 2003. Subsequently, in the 45th Audit Committee Meeting held on December 17, 2012 reconstituted the Audit Committee as under:

| Sl No | Name of Director | Status with The Bank | Status with the Committee | Educational Qualification |
|-------|----------------------------|----------------------|---------------------------|---|
| 01 | Mr. Hafiz G.A Siddiqi | Director | Chairman | Ph.D (Manchester Business School), UK, MBA, (Graduate School of Business Indiana University), USA |
| 02 | Mr. Shib Narayan Kairiy | Director | Member | M.Com (Accounting) |
| 03 | Mr. Muhammad A (Rumee) Ali | Chairman | Member | MA (Economics) |
| 04 | Ms. Nihad Kabir | Director | Member | L.L.B., L.L.M.(UK), (Barrister at Law) |

During the period ended 31 December 2013, the Audit Committee of the Board conducted 06 (Six) meeting in which among others, the following issues were discussed:

Facts Discussed

- Discussed the audit report of different Head Office departments, Branches and SME Sales & service centers, IT conducted by the Bank's internal audit team from time to time.
- Discussed the Enterprise Risk Management Report prepared and conducted by ERM team
- Discussed the fraud/forgeries & operational loss report
- Discussed technology incidents
- Reviewed service quality report of the Bank.
- Reviewed the ERM policy of the Bank.

45.2 Related Party/(ies) Transactions

i) The bank carried out transactions with related parties in the normal course of business an on arms length basis. As on 31 December 2013, 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.

| Name of the Related Parties | Relationship | Nature of Transaction | Balance at the end of period |
|--|--------------|-----------------------|------------------------------|
| BRAC & Its Associated Organization | Director | Deposits made with us | 9,256,263,390 |
| Delta BRAC Housing Finance Corporation Ltd. | Director | Deposits made with us | 1,112,028 |
| Industrial & Infrastructure Dev. Finance Co Ltd. | Director | Deposits made with us | 471 |
| BRAC EPL Investments Ltd. | Subsidiary | Deposits made with us | 25,638,867 |
| BRAC EPL Stock Brokerage Ltd. | Subsidiary | Deposits made with us | 265,484,929 |
| bKash | Subsidiary | Deposits made with us | 4,909,804,385 |
| BRAC IT Services Limited (bITS) | Subsidiary | Deposits made with us | 28,585,433 |
| BRAC Saajan Exchange Limited | Subsidiary | Deposits made with us | 75,340,715 |
| BRAC EPL Investments Ltd. | Subsidiary | Loans & Advances | 1,373,126,108 |
| BRAC Impact Ventures Limited | Associates | Deposits made with us | 10,366,035 |
| BRAC Asset Management Company Ltd | Associates | Deposits made with us | 61,276,726 |

ii) Name of Directors and the entities in which they have interest as on 31 December 2013

| SI No | Name of Director | Status with The Bank | Name of the firms/companies in which they have interest | Educational Qualification |
|-------|---|----------------------------|--|---|
| 01 | Sir Fazle Hasan Abed | Chairman | BRAC Industries Limited BRAC Kodala Tea Company Limited BRAC Kaiyacherra Tea Company Limited BRAC Karnafuli Tea Company Limited BRAC Banskhal Tea Company Limited BRAC Foundation | FCMA, London |
| 02 | Mr. Muhammad A (Rumee) Ali | Director | Enterprises of BRAC Delta Brac Housing Finance Corp. Ltd. BRAC Karnaphuli Tea Co. Ltd. BRAC Kayachora Tea Co. Ltd. BRAC Baskhali Tea Co. Ltd., BRAC SAAJAN Exchange Ltd. BRAC Kodala Tea Estate BRAC Services Ltd. BRAC EPL Investments Ltd. BRAC EPL Stock Brokerage Ltd. bKash Ltd. BRAC IT Services Ltd. | MA (Economics) |
| 03 | MS. Zahida Ispahani (Independent Director) | Director | Ispahani Islamia Eye Institute & Hospital | Graduate |
| 04 | Ms. Nihad Kabir (Independent and Depositor Director) | Director | Kedarpur Tea Company Ltd. Shaistaganj CNG Co. Ltd. Sathgao Tea Estate Ltd. Infrastructure Development Company Ltd. | L.L.B., L.L.M.,(UK) (Barrister at Law) |
| 05 | Mr. Hafiz G.A Siddiqi (Independent Director) | Director | North South University BRAC IT Services Ltd. | Ph.D (Manchester Business School), UK, |
| 06 | Mr. Syed Mahbubur Rahman | Managing Director & CEO | BRAC EPL Investments Limited BRAC EPL Stock Brokerage Limited Industrial and Infrastructure Development Finance Company Limited (IIDFC) Dun & Bradstreet Bangladesh Limited bKash Limited BRAC Saajan Exchange Limited | MBA (IBA) |

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

Nil

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

Nil

v) Lending Policies to related parties:

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

Nil

vi) Loan and advances to Directors and their related concern:

Nil

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

Nil

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

Nil

45.3 Claim not Acknowledged as Debt

There was no claim against the bank not acknowledged as debt as on 31.12.2013.

45.4 Number of Employees

The number of Employees including contractual engaged for the whole year or part there of who received a total monthly remuneration of Tk. 42,273 or above were 6,624 (2012: 7,403).

45.5 Post Balance Sheet Events:

- a) The Board of Directors in its 168th Board meeting held on 27 February, 2014 has proposed dividend of 10% Stock and 10% cash dividend subject to the approval of the Shareholders at the next Annual General Meeting.

45.6 Coverage of External Audit:

The external auditor of the Bank, M/s Hoda Vasi Chowdhury & Co. Chartered Accountants worked about in excess of 3370 man hour at head office, 20 Branches and 20 SME Unit Offices and 20 SME Sales and Service Centre. During their audit, they audited above 80% of the Bank's risk weighted assets as on the Balance Sheet date.

45.7 Share trading

The bank traded its ordinary shares in CDBL through DSE and CSE on 31 January 2007. The closing market price on 31 December 2013 was Tk.32.60 at DSE and Tk. 32.10 at CSE.



Managing Director &
CEO



Director



Director



Chairman

BRAC Bank Ltd.
Highlights on the overall Activities
As at 31 December 2013

| Particulars | Amount in Taka | |
|---|-----------------|-----------------|
| | 2013 | 2012 |
| Paid-up capital | 4,433,045,760 | 3,854,822,400 |
| Total capital including general provisions | 13,963,547,278 | 12,751,623,649 |
| Capital surplus/(deficit) | 2,411,140,905 | 1,602,184,240 |
| Total assets | 171,901,669,638 | 173,676,792,029 |
| Total deposits | 124,746,344,037 | 134,646,448,482 |
| Total loans & advances | 102,728,920,850 | 103,624,437,957 |
| Total contingent liabilities & commitments | 28,224,588,607 | 18,146,892,932 |
| Credit deposit ratio (Loans & advances/Deposits) | 82.35% | 76.96% |
| Percentage of classified loans against total loans & advances | 7.40% | 7.37% |
| Profit after tax & provisions | 1,246,324,101 | 540,381,091 |
| Amount of classified loans during the current year | 7,600,698,577 | 7,637,100,768 |
| Provision kept against classified loans | 5,885,759,844 | 5,516,593,915 |
| Provisions surplus/deficit | 1,259,818,539 | 103,960,550 |
| Cost of fund | 8.13% | 8.43% |
| Interest earning assets | 160,753,902,850 | 162,938,223,671 |
| Non-Interest earning assets | 11,147,766,788 | 10,738,568,359 |
| Return on Investment (ROI) [PAT/(Shareholders equity+Borrowings)] | 6.05% | 3.44% |
| Return on assets (ROA) [PAT/Average assets] | 0.72% | 0.35% |
| Return on Equity (ROE) [PAT/Average shareholders equity] | 11.46% | 5.47% |
| Income from investments | 2,672,221,040 | 1,530,962,408 |
| Weighted average earning per share | 2.81 | 1.14 |
| Net income per share [(PAT-Dividend on preference share/No. of | 2.81 | 1.14 |
| Price earning ratio (Market price per share/EPS) | 11.60 | 26.46 |
| Net Asset Value per Share (NAV) [(Shareholders equity- Preference | | |
| Share)/No. of Ordinary Share] | 26.14 | 26.34 |

BRAC Bank Limited
Balance with other bank and financial institutions (Outside Bangladesh on Demand Deposit Accounts)
As at 31 December 2013

| Name of Bank | A/C Type | 2013 | | | 2012 | | |
|---|----------|--------------|------------------|--------------------|--------------|------------------|--------------------|
| | | FC Amount | Exchange Rate | Equivalent Taka | FC Amount | Exchange Rate | Equivalent Taka |
| Standard Chartered Bank-NY (USD) | CD | 36,098.70 | 77.75 | 2,806,721 | 2,521,384.74 | 79.86 | 201,357,785.34 |
| Mashreq Bank PSCNY (USD) | CD | 162,797 | 77.75 | 12,657,647 | 23,671.80 | 79.86 | 1,890,429.95 |
| The Bank of Nova Scotia- Canada (CAD) | CD | 37,218.75 | 72.63 | 2,703,228 | 31,764.20 | 80.58 | 2,559,467.12 |
| CITI Bank NA - NY(USD) | CD | - | 77.75 | - | 871,483.53 | 79.86 | 69,596,674.71 |
| AB Bank Mumbai (ACU Dollar) | CD | 2,082.90 | 77.75 | 161,948 | 560.02 | 79.86 | 44,723.20 |
| ICICI Mumbai (ACU Dollar) | CD | 2,868.35 | 77.75 | 223,018 | 23,099.74 | 79.86 | 1,844,745.24 |
| Standard Chartered Bank-UK (GBP) | CD | 31,790.31 | 128.15 | 4,073,792 | 101,686.45 | 129.25 | 13,142,505.90 |
| Hypo Vereins Bank Germany (EURO) | CD | 4,204.32 | 106.85 | 449,214 | 7,577.30 | 105.93 | 802,665.66 |
| HSBC - NY (USD) | CD | 783,977.62 | 77.75 | 60,955,279 | 1,103,550.89 | 79.86 | 88,129,574.08 |
| HSBC - UK (GBP) | CD | 22,747.28 | 128.15 | 2,914,966 | 378,169.89 | 129.25 | 48,876,718.70 |
| HSBC - AUS (AUD) | CD | 10,198.04 | 68.96 | 703,232 | 222.57 | 82.90 | 18,450.76 |
| Union DE Banques Arabes ET Francaises (JPY) | CD | 6,229,414.00 | 0.74 | 4,605,406 | 1,689,797.00 | 0.93 | 1,572,525.09 |
| Westpack Banking Corporation, (AUD) | CD | 72,868.09 | 68.96 | 5,024,809 | 51,526.13 | 82.90 | 4,271,449.19 |
| HSBC - Pakistan (ACU Dollar) | CD | 12,070.01 | 77.75 | 938,459 | 10,634.84 | 79.86 | 849,298.32 |
| HSBC - India (ACU Dollar) | CD | - | 77.75 | - | - | - | - |
| Zuercher Kantonal Bank, Zurich (CHF) | CD | 5,643.89 | 87.20 | 492,171 | 6,782.45 | 87.67 | 594,595.01 |
| ING Belgium NV/SA (EURO) | CD | 27,849.96 | 106.85 | 2,975,651 | 430.61 | 105.93 | 45,614.65 |
| Commerz Bank AG Germany (EURO) | CD | 210,101.71 | 106.85 | 22,448,485 | 52,325.38 | 105.93 | 5,542,843.20 |
| JP Morgan Chase Bank (USD) | CD | 1,332,801.65 | 77.75 | 103,627,061 | 996,496.63 | 79.86 | 79,580,220.87 |
| Unicredito Italiano SPA (EURO) | CD | 14,035.15 | 106.85 | 1,499,597 | 10,048.62 | 105.93 | 1,064,453.33 |
| SCB Frankfurt (EURO) | CD | 405.61 | 106.85 | 43,338 | 10,183.00 | 105.93 | 1,078,688.24 |
| United Bank of India (USD) | CD | 474,652.32 | 77.75 | 36,904,835 | 951.16 | 79.86 | 75,959.64 |
| Commerz Bank, AG Germany (USD) | CD | 2,147 | 77.75 | 166,927 | 10,362.55 | 79.86 | 827,553.24 |
| Sonali Bank Limited (UK) | CD | 14,028 | 128.15 | 1,797,686 | - | 129.25 | - |
| HDFC Bank Limited (ACU) | CD | 49,616 | 77.75 | 3,857,705 | 149,980.14 | 79.86 | 11,977,413.98 |
| Deutsche Bank Trust Company (USD) | CD | 210,896 | 77.75 | 16,397,476 | 118,492.71 | 79.86 | 9,462,827.82 |
| Commerz Bank - Frankfurt (GBP) | CD | 88 | 128.15 | 11,222 | - | 79.86 | - |
| Bank of America N.A New York | CD | 15,017 | 77.75 | 1,167,617 | 22,989.99 | 79.86 | 1,835,980.60 |
| Total | | | | 289,607,488 | | | 547,043,164 |

Annex - C

BRAC Bank Limited
Investment in Shares
As at 31 December 2013

| | | | | | | | Amount in Taka |
|-----------------|---------------------|------------|---------------|-----------------|--------------|---------------------------------------|---------------------------------|
| Sl. no | Name of the company | Face value | No. of shares | Cost of holding | Average cost | Quoted rate per share as on 31-Dec-13 | Total market value at 31-Dec-13 |
| Quoted | | | | | | | |
| Ordinary shares | | | | | | | |
| 1 | ARGONDENIM | 10.00 | 678,000 | 65,345,724 | 96.38 | 94.90 | 64,342,200 |
| 2 | BATBC | 10.00 | 2,750 | 4,365,700 | 1,587.53 | 1,603.10 | 4,408,525 |
| 3 | BENGALWTL | 10.00 | 80,000 | 2,962,972 | 37.04 | 62.90 | 5,032,000 |
| 4 | BSCCL | 10.00 | 184,110 | 44,225,817 | 240.21 | 168.10 | 30,948,891 |
| 5 | BSRMSTEEL | 10.00 | 463,840 | 73,258,257 | 157.94 | 68.70 | 31,865,808 |
| 6 | EBLNRBMF | 10.00 | 4,711,133 | 42,710,189 | 9.07 | 7.80 | 36,746,837 |
| 7 | EXIM1STMF | 10.00 | 5,000,000 | 50,000,000 | 10.00 | 7.80 | 39,000,000 |
| 8 | FBFIF | 10.00 | 27,586,058 | 250,176,052 | 9.07 | 9.30 | 256,550,339 |
| 9 | JAMUNAOIL | 10.00 | 88 | 15,615 | 177.45 | 191.80 | 16,878 |
| 10 | LRGLOBMF1 | 10.00 | 31,038,090 | 297,596,597 | 9.59 | 7.30 | 226,578,057 |
| 11 | MPETROLEUM | 10.00 | 36,924 | 5,711,760 | 154.69 | 211.00 | 7,790,964 |
| 12 | PADMAOIL | 10.00 | 387,860 | 124,525,945 | 321.06 | 252.30 | 97,857,078 |
| 13 | PREMIERCEM | 10.00 | 404,000 | 46,514,038 | 115.13 | 99.60 | 40,238,400 |
| 14 | TITASGAS | 10.00 | 3,000,000 | 274,468,507 | 91.49 | 73.80 | 221,400,000 |
| 15 | UNIQUEHRL | 10.00 | 306,400 | 30,049,482 | 98.07 | 78.00 | 23,899,200 |
| | | | | 1,311,926,654 | | | 1,086,675,178 |

Annex - C (Cont.)

BRAC Bank Limited
Investment in Shares
As at 31 December 2013

| | | | | | | | |
|--------------------------|---|----------|------------|-------------------|----------------------|---|---|
| Unquoted | | | | | | | |
| 1 | Industrial and Infrastructure Development Finance Co. | 100.00 | 732,911 | 29,683,820 | 40.50 | - | - |
| 2 | Central Depository Bangladesh Ltd. | 10.00 | 800,000 | 6,277,770 | 7.85 | - | - |
| 3 | BRAC EPL Investments Ltd. | 10.00 | 44,459,962 | 752,715,794 | 16.93 | - | - |
| 4 | BRAC EPL Stock Brokerage Ltd. | 100.00 | 4,063,498 | 1,344,147,500 | 330.79 | - | - |
| 5 | B-Kash Ltd. | 100.00 | 194,800 | 168,921,800 | 867.16 | - | - |
| 6 | BRAC Asset Management Company Ltd. | 100.00 | 125,000 | 12,500,000 | 100.00 | - | - |
| 7 | BRAC Saajan Exchange Limited | 100.00 | 291,616 | 59,388,531 | 203.65 | - | - |
| 8 | Bangladesh Rating Agency of Bangladesh Limited | 100.00 | 124,976 | 12,497,600 | 100.00 | - | - |
| 9 | BRAC IT Service (biTs) Limited | 1,000.00 | 31,224 | 31,224,000 | 1,000.00 | - | - |
| 10 | BRAC Impact Ventures Limited | 10.00 | 480,000 | 4,800,000 | 10.00 | - | - |
| Preference shares | | | | | | | |
| 1 | Summit Purbanchal & Uttaranchal Power Co Ltd | 10.00 | 1,431,152 | 143,115,200 | 100.00 | - | - |
| | | | | 52,223,915 | 2,529,248,015 | - | - |

BRAC Bank Limited
Schedule of Fixed assets including premises, furniture and fixtures

Annex - D

As at 31 December 2013

| Particulars | C O S T | | | | Rate of Dep. % | D E P R E C I A T I O N | | | | Written down value 31.12.2013 |
|---|--------------------------------|--------------------------------|----------------------------------|--------------------------------|----------------------|--------------------------------|-------------------------------|----------------------------------|--------------------------------|--|
| | Balance as on 01.01.2013 | Addition during the year | Adjustment during the year | Balance as on 31.12.2013 | | Balance as on 01.01.2013 | Charged during the year | Adjustment during the year | Balance as on 31.12.2013 | |
| | | | | | | | | | | |
| Property, plant & equipments | | | | | | | | | | |
| Land | 604,314,000 | - | - | 604,314,000 | | - | - | - | - | 604,314,000 |
| Furniture & fixture | 1,135,168,847 | 139,046,116 | 3,137,796 | 1,271,077,166 | 10 | 367,506,869 | 119,293,899 | 1,577,802 | 485,222,966 | 785,854,201 |
| Office equipments ** | 941,004,481 | 121,305,521 | 13,002,197 | 1,049,307,804 | 20 | 564,220,923 | 152,778,700 | 8,169,027 | 708,830,596 | 340,477,208 |
| Office machineries | - | - | - | - | 20 | - | - | - | - | - |
| IT Hardwares * | 1,322,812,021 | 120,138,910 | 13,428,037 | 1,429,522,894 | 20 | 814,657,155 | 191,045,838 | 13,101,884 | 992,601,109 | 436,921,785 |
| Motor vehicles | 94,402,419 | 6,398,000 | 3,521,504 | 97,278,915 | 20 | 57,053,681 | 16,152,937 | 2,099,826 | 71,106,793 | 26,172,123 |
| Intangible: | | | | | | | | | | |
| IT equipment - software | - | - | - | - | - | - | - | - | - | - |
| | 4,097,701,767 | 386,888,546 | 33,089,534 | 4,451,500,779 | | 1,803,438,628 | 479,271,374 | 24,948,539 | 2,257,761,463 | 2,193,739,316 |
| Intangible assets | | | | | | | | | | |
| with Indefinite useful lives: | | | | | | | | | | |
| License | 50,000 | - | - | 50,000 | | - | - | - | - | 50,000 |
| with definite useful lives | | | | | | | | | | |
| IT Softwares | 805,610,083 | 53,742,150 | - | 859,352,233 | 20 | 508,471,342 | 101,366,652 | - | 609,837,994 | 249,514,239 |
| | 805,660,083 | 53,742,150 | - | 859,402,233 | | 508,471,342 | 101,366,652 | - | 609,837,994 | 249,564,239 |
| Total | 4,903,361,850 | 440,630,696 | 33,089,534 | 5,310,903,012 | | 2,311,909,970 | 580,638,026 | 24,948,539 | 2,867,599,457 | 2,443,303,555 |
| As at 31 Dec. 2012 | 4,027,402,296 | 914,153,545 | 38,193,991 | 4,903,361,850 | | 1,678,237,540 | 654,930,517 | 21,258,087 | 2,311,909,970 | 2,591,451,880 |

* IT Hardware includes Computers/ PC's which were depreciated @ 33.33%.

** Office equipment includes telephone sets which were depreciated @50% instead of 20% on other office equipment.

BRAC Bank Ltd.
Detail of Large Loan
As at 31 December 2013

| | |
|--------------------------------|----------------|
| Number of Clients | 4 |
| Amount of outstanding advances | 13,603,313,476 |
| Amount of classified advances | NIL |
| Measures taken for recovery | NIL |

Client wise break-up is as follows:

| Name of Clients | | | 2013 | 2012 |
|--|----------------------|----------------------|-----------------------|-----------------------|
| | Outstanding (Taka) | | | |
| | Funded | Non Funded | Total | Total |
| SUMMIT MEGHNAGHAT POWER COMPANY LIMITED | | 4,676,946,109 | 4,676,946,109 | - |
| ACORN INFRASTRUCTURE SERVICES LIMITED | 2,449,946,947 | 1,163,579,408 | 3,613,526,355 | - |
| ABUL KHAIR STEEL LIMITED | 534,188,738 | 2,812,281,660 | 3,346,470,398 | 1,542,045,931 |
| CITY SEED CRUSHING INDUSTRIES LTD. | 968,473,764 | 997,896,849 | 1,966,370,613 | 1,797,718,890 |
| ACORN INFRASTRUCTURE SERVICES LIMITED | - | - | - | 5,339,559,259 |
| BRAC EPLINVESTMENTS LIMITED | - | - | - | 1,517,524,054 |
| AUGERE WIRELESS BROADBAND BANGLADESH LIMITED | - | - | - | 3,450,475,648 |
| Total | 3,952,609,450 | 9,650,704,026 | 13,603,313,476 | 13,647,323,782 |

BRAC Bank Ltd.
Statement of Tax position
As at 31 December 2013

| Accounting Year | Assessment Year | Tax provision | Tax as per assessment | (Short)/Excess provision | Advance Tax as per assessment order | Present Status |
|-----------------|-----------------|---------------|-----------------------|--------------------------|-------------------------------------|----------------------------------|
| 2001 | 2002-2003 | - | 1,056,739 | (1,056,739) | 1,107,927 | Completed |
| 2002 | 2003-2004 | - | 375,000 | (375,000) | 375,000 | Completed |
| 2003 | 2004-2005 | - | 2,411,653 | (2,411,653) | 1,587,297 | Completed |
| 2004 | 2005-2006 | 111,000,000 | 82,779,311 | 28,220,689 | 78,337,409 | Completed |
| 2005 | 2006-2007 | 139,777,786 | 150,891,910 | (11,114,124) | 143,306,036 | Completed |
| 2006 | 2007-2008 | 334,920,000 | 385,558,644 | (50,638,644) | 145,000,000 | Completed |
| 2007 | 2008-2009 | 766,000,000 | 799,810,239 | (33,810,239) | 395,000,000 | Completed |
| 2008 | 2009-2010 | 1,220,000,000 | 1,254,976,871 | (34,976,871) | 742,800,000 | Completed |
| 2009 | 2010-2011 | 1,140,000,000 | 1,226,332,530 | (86,332,530) | 1,225,978,580 | Assessment complete, appealed |
| 2010 | 2011-2012 | 1,416,240,000 | 1,244,495,264 | 171,744,736 | 1,220,637,458 | Tax Return is submitted u/s 82BB |
| 2011 | 2012-2013 | 1,460,000,000 | 1,304,653,579 | 155,346,421 | 1,250,301,019 | Tax Return is submitted u/s 82BB |
| 2012 | 2013-2014 | 1,530,000,000 | 1,467,791,564 | 62,208,436 | 1,304,653,579 | Tax Return is submitted u/s 82BB |
| 2013 | 2013-2014 | 1,797,698,269 | - | - | - | Not due Yet |

BRAC Bank Limited
Statement of outstanding unreconciled entries
As at 31 December 2013

(Amount in USD)

| 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 | 5 | 34,821,028 | 83 | 2,831,557 | 233 | 18,920,719 | 331 | 58,395,159 |
| 02 | More than 03 months but less than 06 months | 0 | - | 0 | - | 0 | - | 0 | - |
| 03 | More than 06 months but less than 09 months | 0 | - | 0 | - | 0 | - | 0 | - |
| 04 | More than 09 months but less than 12 months | 0 | - | 0 | - | 0 | - | 0 | - |
| 05 | More than 12 months | 0 | - | 0 | - | 0 | - | 0 | - |
| | Total | 5 | 34,821,028 | 83 | 2,831,557 | 233 | 18,920,719 | 331 | 58,395,159 |

Auditors' Report

To the shareholders of BRAC Bank Limited

Offshore Banking Unit, Bangladesh

We have audited the accompanying financial statements of the Offshore Banking Unit, Bangladesh (the "Unit") of BRAC Bank Limited (the "Bank") which comprise the balance sheet as at 31 December 2013, profit and loss account and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Unit in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in note 2, the Bank Companies Act 1991, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs) as explained in note 2, give a true and fair view of the financial position of the Unit as at 31 December 2013 and the results of its financial performance and its cash flows for the year then ended and comply with the applicable sections of the Bank Companies Act 1991, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange 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 Unit so far as it appeared from our examination of those books;
- iii) the Unit's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns;

- iv) the expenditure incurred was for the purposes of the Unit's business;
- v) the financial statements of the Unit have been drawn up in conformity with the Bank Companies Act 1991 and in accordance with the accounting rules and regulations issued by Bangladesh Bank;
- vi) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- vii) the financial statements of the Unit conform to the prescribed standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- viii) the information and explanations required by us have been received and found to be satisfactory; and
- ix) we have reviewed over 80% of the risk weighted assets of the Unit spending around 380 person hours;

Hoda Vasi Chowdhury

Hoda Vasi Chowdhury & Co
Chartered Accountants

Dhaka, 27 February 2014

Off-shore Banking Units
Statement of Financial Position
As at 31 December 2013

| | Note | December 2013 | | December 2012 | |
|--|------|---------------|----------------|---------------|---------------|
| | | USD | Taka | USD | Taka |
| PROPERTY AND ASSETS | | | | | |
| Cash | | | | | |
| | | - | - | - | - |
| Cash in hand | | | | | |
| (Including foreign currency) | | - | - | - | - |
| Balance with Bangladesh Bank and its agent Bank(s) | | - | - | - | - |
| (Including foreign currency) | | | | | |
| Balance with other Banks and Financial Institutions | | | | | |
| | 3 | 25,055,713 | 1,948,114,253 | 891,932 | 71,229,745 |
| Inside Bangladesh | | 219,985 | 17,104,143 | 393,325 | 31,410,951 |
| Outside Bangladesh | | 24,835,728 | 1,931,010,110 | 498,607 | 39,818,794 |
| Money at call and short notice | | | | | |
| | | - | - | - | - |
| Investments | | | | | |
| | | - | - | - | - |
| Government | | - | - | - | - |
| Others | | - | - | - | - |
| Loans and advances | | | | | |
| | 4 | 184,970,861 | 14,381,724,933 | 103,308,360 | 8,250,205,652 |
| Loans, cash credit, overdrafts etc. | | 184,970,861 | 14,381,724,933 | 103,308,360 | 8,250,205,652 |
| Bills purchased & discounted | | | | - | - |
| Fixed assets including premises, furniture and fixtures | | | | | |
| | | - | - | - | - |
| Other assets | | | | | |
| | 5 | 515,846 | 40,107,659 | 1,331,280 | 106,316,049 |
| Total Property and Assets | | 210,542,420 | 16,369,946,845 | 105,531,572 | 8,427,751,446 |
| LIABILITIES AND CAPITAL | | | | | |
| Liabilities | | | | | |
| Borrowings from other banks, financial institutions & agents | | | | | |
| | 6 | 164,423,585 | 12,784,147,519 | 100,969,217 | 8,063,401,672 |
| Borrowings from Central Bank | | | | | |
| | 7 | | | | - |
| Deposits and other accounts | | | | | |
| | 8 | 40,451,958 | 3,145,192,274 | 495,145 | 39,542,241 |
| Current accounts & other accounts | | 39,759,440 | 3,091,348,102 | - | - |
| Bills payable | | - | - | - | - |
| Savings deposits | | - | - | - | - |
| Fixed deposits | | 692,518 | 53,844,172 | 495,145 | 39,542,241 |
| Other deposits | | - | - | - | - |
| Other liabilities | | | | | |
| | 9 | 1,864,380 | 144,957,950 | 2,144,761 | 180,082,541 |
| Total Liabilities | | 206,739,923 | 16,074,297,743 | 103,609,123 | 8,283,026,454 |
| Capital and Shareholders' Equity | | | | | |
| Paid up share capital | | - | - | - | - |
| Statutory reserve | | - | - | - | - |
| Revaluation reserve | | - | - | - | - |
| Surplus in profit and loss account/Retained Earnings | 10 | 3,802,497 | 295,649,102 | 1,922,451 | 144,724,992 |
| Total shareholders' equity | | 3,802,497 | 295,649,102 | 1,922,451 | 144,724,992 |
| Total Liabilities and Shareholders' Equity | | 210,542,420 | 16,369,946,845 | 105,531,574 | 8,427,751,446 |

Off-shore Banking Units

Off Balance Sheet Items As at 31 December 2013

| | Note | 2013 | | 2012 | |
|--|------|------|------|------|------|
| | | USD | Taka | USD | Taka |
| Contingent Liabilities | | | | | |
| Acceptances and endorsements | | - | - | - | - |
| Letter of guarantees | | - | - | - | - |
| Irrevocable letter of credits | | - | - | - | - |
| Bills for collection | | - | - | - | - |
| Tax liability | | - | - | - | - |
| Other contingent liabilities | | - | - | - | - |
| Total Contingent Liabilities | | - | - | - | - |
| Other Commitments | | | | | |
| Documentary credits and short term trade related transactions | | - | - | - | - |
| Forward assets purchased and forward deposits placed facilities | | - | - | - | - |
| Undrawn formal standby facilities, credit lines and other commitments- lease hold assets | | - | - | - | - |
| Total Other Commitments | | - | - | - | - |
| Total Off-Balance Sheet items including contingent liabilities | | - | - | - | - |



Managing Director &
CEO



Director



Director



Chairman



Hoda Vasi Chowdhury & Co
Chartered Accountants

Dhaka; 27 February 2014

Off-shore Banking Units
Statement of Profit or Loss and other Comprehensive Income
For the year ended 31 December 2013

| Particulars | Note | 2013 | | 2012 | |
|---|------|------------------|--------------------|------------------|--------------------|
| | | USD | Taka | USD | Taka |
| Interest income | 11 | 6,567,643 | 510,642,767 | 4,347,238 | 347,170,400 |
| Interest paid on deposits and borrowing etc. | 12 | 4,223,826 | 328,407,933 | 2,593,799 | 207,140,757 |
| Net interest income | | 2,343,817 | 182,234,834 | 1,753,439 | 140,029,643 |
| Investment income | | - | - | - | - |
| Other operating income | | 158,073 | 12,290,417 | 345,915 | 17,115,471 |
| Total operating income | | 2,501,891 | 194,525,251 | 2,099,354 | 157,145,114 |
| Salaries and allowances | | 105,296 | 8,186,914 | 102,523 | 8,187,503 |
| Rent, taxes, insurance, electricity etc. | | 32,399 | 2,519,051 | 31,546 | 2,519,232 |
| Legal expenses | | - | - | - | - |
| Postage, stamps, telecommunication etc. | | - | - | - | - |
| Stationery, printing, advertisement etc. | | 1,620 | 125,953 | 1,577 | 125,962 |
| Chief Executive's salary & fees | | - | - | - | - |
| Directors' fees & expenses | | - | - | - | - |
| Auditors' fee | | - | - | - | - |
| Depreciation on and repairs to bank's assets | | - | - | - | - |
| Other expenses | | 22,679 | 1,763,335 | 22,082 | 1,763,461 |
| Total operating expenses | | 161,994 | 12,595,253 | 157,728 | 12,596,158 |
| Profit/(loss) before provisions | | 2,339,897 | 181,929,998 | 1,941,626 | 144,548,956 |
| Provision for: | | | | | |
| Loans and advances | 13 | 398,783 | 31,005,888 | 910,767 | 72,733,882 |
| Off balance sheet items | | - | - | - | - |
| Others | | - | - | - | - |
| Total provision | | 398,783 | 31,005,888 | 910,767 | 72,733,882 |
| Profit/(loss) before taxes | | 1,941,114 | 150,924,110 | 1,030,859 | 71,815,074 |
| Provision for Tax: | | | | | |
| Current tax expense | | - | - | - | - |
| Deferred tax expense/ (income) | | - | - | - | - |
| Total provision for Tax | | - | - | - | - |
| Total profit/(loss) after taxes | | 1,941,114 | 150,924,110 | 1,030,859 | 71,815,074 |
| Retained earnings brought from previous years | | 1,861,295 | 144,724,992 | 891,592 | 72,909,917 |
| Retained earnings | | 3,802,409 | 295,649,102 | 1,922,451 | 144,724,991 |



Managing Director &
CEO



Director



Director



Chairman



Hoda Vasi Chowdhury & Co
Chartered Accountants

Dhaka; 27 February 2014

Off-shore Banking Units
Statement of Cash Flows
For the period ended 31 December 2013

| | 2013 | | 2012 | |
|--|---------------------|------------------------|---------------------|------------------------|
| | USD | Taka | USD | Taka |
| A. Cash flows from operating activities | | | | |
| Interest receipts | 6,231,022 | 484,470,029 | 4,647,942 | 371,184,639 |
| Interest payment | (4,116,807) | (320,087,123) | (2,236,765) | (178,628,030) |
| Receipts from other operating activities | 158,073 | 12,290,417 | 214,318 | 17,115,471 |
| Payment for other operating activities : | (161,994) | (12,595,253) | (157,728) | (12,596,158) |
| Operating profit/(loss) before changes in operating assets and liabilities (i) | 2,110,294 | 164,078,069 | 2,467,767 | 197,075,922 |
| Increase/decrease in operating assets & liabilities | | | | |
| Loans and advances | (79,198,205) | (6,157,763,403) | (48,901,412) | (3,905,266,726) |
| Other assets | 1,188,162 | 92,381,128 | 36,200 | 2,890,904 |
| Deposit | 40,789,497 | 3,171,436,396 | 495,145 | 39,542,241 |
| Other liabilities | (1,466,130) | (113,993,529) | 97,476 | 7,784,414 |
| Cash utilised in operating assets & liabilities (ii) | (38,686,677) | (3,007,939,408) | (48,272,591) | (3,855,049,167) |
| Net cash (used)/flows from operating activities (i+ii) | (36,576,383) | (2,843,861,339) | (45,804,824) | (3,657,973,245) |
| B. Cash flows from investing activities | | | | |
| Acquisition of fixed assets | - | - | - | - |
| Disposal of Fixed Assets | - | - | - | - |
| Net cash used in investing activities | - | - | - | - |
| C. Cash flows from financing activities | | | | |
| Borrowings from other banks | 60,715,973 | 4,720,745,847 | 46,592,952 | 3,720,913,105 |
| Money at call and short notice | - | - | - | - |
| Borrowings from Bangladesh Bank | - | - | - | - |
| Net cash flows from financing activities | 60,715,973 | 4,720,745,847 | 46,592,952 | 3,720,913,105 |
| Net increase/decrease in cash | 24,139,590 | 1,876,884,508 | 788,128 | 62,939,860 |
| Cash and cash equivalents at beginning of year | 916,123 | 71,229,745 | 103,805 | 8,289,885 |
| Cash and cash equivalents at end of year | 25,055,713 | 1,948,114,253 | 891,933 | 71,229,745 |
| Cash and cash equivalents at end of the year: | | | | |
| 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 | 25,055,713 | 1,948,114,253 | 891,933 | 71,229,745 |
| | 25,055,713 | 1,948,114,253 | 891,933 | 71,229,745 |

Off-shore Banking Units
Notes to the Financial Statements
For the year ended 31 December 2013

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 & basis of preparation

2.1 A summary of the principle accounting policies which have been applied consistently (Unless otherwise stated), is 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, Bangladesh Accounting 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

c) Foreign currency transaction

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

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.

The resulting exchange transaction gains and losses are included in the profit and loss account, except those arising on the transaction of net investment in foreign subsidiary.

d) Cash flow statement

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

2.2 Reporting period

These financial statements cover one calendar year from 01 January to 31 December 2013.

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.

Cash flow statement is prepared in accordance with BAS 7 titled "Cash Flow Statements". Cash flows from operating activities have been presented at "Direct 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 recognised 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 BAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

2.6 Revenue & Expense recognition

2.6.1 Interest income

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

2.6.2 Interest paid and other expenses

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

2.7 General

a) These financial statements are presented in Taka, which is the Bank's functional currency. Figures appearing in these financial statements have been rounded off to the nearest Taka and rearranged wherever necessary.

b) Assets and liabilities & income and expenses have been converted into Taka currency @ US \$ 1 = Taka 77.751405 (Closing rate as at 31st December 2013).

| Particulars | 2013 | | 2012 | |
|-------------|------|------|------|------|
| | USD | Taka | USD | Taka |

3 Balance with Other Banks and Financial Institutions

| | | | | |
|-----------------------|-------------------|----------------------|----------------|-------------------|
| A. Inside Bangladesh | 219,985 | 17,104,143 | 393,325 | 31,410,951 |
| B. Outside Bangladesh | 24,835,728 | 1,931,010,110 | 498,607 | 39,818,794 |
| | 25,055,713 | 1,948,114,253 | 891,933 | 71,229,745 |

4 Loans and Advances

| | | | | |
|------------------------------|--------------------|-----------------------|--------------------|----------------------|
| Overdrafts | 144,726 | 11,252,636 | - | - |
| Demand loans | - | - | - | - |
| Term loans | 184,826,135 | 14,370,472,297 | 103,308,360 | 8,250,205,652 |
| Lease receivables | - | - | - | - |
| Small & medium enterprises | - | - | - | - |
| Credit Cards | - | - | - | - |
| | 184,970,861 | 14,381,724,933 | 103,308,360 | 8,250,205,652 |
| Bills purchased & discounted | - | - | - | - |
| | 184,970,861 | 14,381,724,933 | 103,308,360 | 8,250,205,652 |

| Particulars | 2013 | | 2012 | |
|---|--------------------|-----------------------|--------------------|----------------------|
| | USD | Taka | USD | Taka |
| 5 Other Assets | | | | |
| Interest receivables | 1,314,535 | 102,206,804 | 952,092 | 76,034,066 |
| Deferred revenue expenditure | 226,328 | 17,597,281 | 236,546 | 18,890,594 |
| Other assets | (1,025,017) | (79,696,426) | 142,642 | 11,391,389 |
| | 515,846 | 40,107,659 | 1,331,280 | 106,316,049 |
| 6 Borrowing from other Banks, Financial Institutions and Agents: | | | | |
| Term Borrowing | | | | |
| BORROWING FROM FMO | 15,000,000 | 1,166,269,500 | - | - |
| Borrowings from others | 109,423,585 | 8,507,826,019 | 60,969,217 | 4,869,001,672 |
| Borrowing from IFC | 40,000,000 | 3,110,052,000 | 40,000,000 | 3,194,400,000 |
| | 164,423,585 | 12,784,147,519 | 100,969,217 | 8,063,401,672 |
| 7 Borrowings from Central Bank | | | | |
| Borrowings from Central Bank (Bangladesh Bank) | | | - | - |
| | | - | - | - |
| 8 Deposit and Other Accounts | | | | |
| Local Currency: | | | | |
| Current & other accounts | 39,759,440 | 3,091,348,102 | - | - |
| Bills payable | - | - | - | - |
| Saving deposits | - | - | - | - |
| Fixed deposits | 692,518 | 53,844,172 | 495,145 | 39,542,241 |
| Other deposits | - | - | - | - |
| | 40,451,958 | 3,145,192,274 | 495,145 | 39,542,241 |
| Foreign Currency: | | | | |
| Current & other accounts | - | - | - | - |
| Bills payable | - | - | - | - |
| Saving deposits | - | - | - | - |
| Fixed deposits | - | - | - | - |
| Other deposits | - | - | - | - |
| | - | - | - | - |
| Total Deposit and other accounts | 40,451,958 | 3,145,192,274 | 495,145 | 39,542,241 |
| 9 Other Liabilities | | | | |
| Provisions for loans & advances | 1,849,709 | 143,817,247 | 1,442,096 | 115,165,778 |
| Interest payable | 828,741 | 64,435,665 | 702,665 | 56,114,855 |
| Others | (814,069) | (63,294,962) | 110,217 | 8,801,908 |
| | 1,864,380 | 144,957,950 | 2,144,761 | 180,082,541 |
| 10 Surplus in Profit and Loss Account/ Retained Earnings | | | | |
| Balance at the beginning of the year | 1,861,384 | 144,724,992 | 891,592 | 72,909,917 |
| Add: Retained Surplus for the year | 1,941,114 | 150,924,110 | 1,030,859 | 71,815,075 |
| | 3,802,497 | 295,649,102 | 1,922,451 | 144,724,992 |
| 11 Interest Income | | | | |
| Interest on loans and advances | 3,148,729 | 244,817,761 | 1,044,373 | 83,403,635 |
| Interest on bill discounted | 3,418,914 | 265,825,006 | 3,302,865 | 263,766,765 |
| | 6,567,643 | 510,642,767 | 4,347,238 | 347,170,400 |
| 12 Interest Paid on Deposits and Borrowing etc. | | | | |
| Interest on deposits | 24,971 | 1,941,489 | 13,206 | 1,054,626 |
| Interest on local bank borrowing | 4,198,855 | 326,466,444 | 2,580,593 | 206,086,131 |
| Interest on Bangladesh Bank borrowing | - | - | - | - |
| | 4,223,826 | 328,407,933 | 2,593,799 | 207,140,757 |
| 13 Provisions | | | | |
| For Loans & Advances: | | | | |
| For classified loans & advances | (104,303) | (8,109,710) | 104,303 | 8,329,654 |
| For unclassified loans & advances | 503,086 | 39,115,598 | 806,464 | 64,404,228 |
| | 398,783 | 31,005,888 | 910,767 | 72,733,882 |



Managing Director &
CEO



Director



Director



Chairman

INDEPENDENT AUDITORS' REPORT
To the shareholders of
BRAC EPL Investments Limited

We have audited the accompanying financial statements of **BRAC EPL Investments Limited** which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes and information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), give a true and fair view of the Company's affairs as at 31 December 2013 and of the results of its operations and its cash flows for the year then ended and comply with the Companies Act, 1994 and other applicable laws and regulations.

We also report that:

- a) 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;
- 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 company's Statement of Financial Position and Statement of Comprehensive Income together with notes 1 to 34 thereto dealt with by the report are in agreement with the books of account.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 11 to the financial statements which represents margin loans given to the customers out of which in some cases, the portfolio value at the reporting date is less than the loan extended resulting a shortfall in value for aggregate amount of BDT 474,897,994 after erosion of accountholders' equity in full. It is an indication that some portfolios may have uncertainty for realization of loans and advances in long run to the extent of short fall from time to time although no provision has been made at the reporting date.

SD

Hoda Vasi Chowdhury & Co
Chartered Accountants

Dhaka

BRAC EPL Investments Limited
Statement of Financial Position
As at 31 December 2013

| | | 2013 | 2012 |
|---|--------------|----------------------|----------------------|
| Assets | Notes | Taka | Taka |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 37,179,074 | 54,094,354 |
| Intangible assets | 6 | 104,167 | 886,112 |
| Investment in associate company | 7 | 14,341,771 | 13,718,064 |
| Investment in unquoted securities | 8 | 2,500,000 | 2,500,000 |
| Deferred tax assets | 9 | 8,139,655 | 4,645,863 |
| | | 62,264,667 | 75,844,393 |
| Current Assets | | | |
| Investment in quoted securities | 10 | 34,715,105 | 28,939,899 |
| Loans and advances to customers | 11 | 3,669,777,230 | 3,679,472,517 |
| Accounts receivable | 12 | 665,362,755 | 547,647,084 |
| Advances, deposits and prepayments | 13 | 10,365,773 | 13,775,366 |
| Advance income tax | 14 | 12,314,186 | 7,696,738 |
| Cash and cash equivalents | 15 | 30,444,789 | 55,199,295 |
| Inter-company receivable | 16 | 2,106,412 | 1,255,342 |
| Other receivables | | 1,013,739 | 931,098 |
| | | 4,426,099,989 | 4,334,917,339 |
| Total assets | | 4,488,364,656 | 4,410,761,732 |
| Equity and Liabilities | | | |
| Shareholders' equity | | | |
| Share capital | 17 | 585,000,000 | 585,000,000 |
| Share premium | | 436,825,951 | 436,825,951 |
| Retained earnings | | 267,498,566 | 93,206,227 |
| Shareholders' equity | | 1,289,324,517 | 1,115,032,178 |
| Non-Current Liabilities | | | |
| Finance lease obligations -net of current portion | 18 | 61,926 | 403,752 |
| Current liabilities | | | |
| Finance lease obligations - current portion | 18 | 341,826 | 295,968 |
| Customer deposits | 19 | 39,421,277 | 32,035,423 |
| Bank overdraft | 20 | 2,186,870,873 | 1,880,734,111 |
| Short term loan | 21 | 600,000,000 | 1,320,300,000 |
| Accounts payable | 22 | 55,024,613 | 10,851,094 |
| Other liabilities | 23 | 211,833,847 | 35,361,358 |
| Provision for taxation | 24 | 103,428,485 | 14,584,413 |
| Inter-company payable to BRAC EPL Stock Brokerage Limited | | 2,057,292 | 1,163,435 |
| | | 3,198,978,213 | 3,295,325,802 |
| Total equity and liabilities | | 4,488,364,656 | 4,410,761,732 |

These financial statements should be read in conjunction with annexed notes

SD
Chief Executive Officer

SD
Director

SD
Chairman

AUDITORS' REPORT TO THE SHAREHOLDERS
See annexed report of date

Dhaka

SD
Chartered Accountants

BRAC EPL Investments Limited
Statement of Comprehensive Income
For the year ended 31 December 2013

| | <u>Notes</u> | <u>2013</u> <u>Taka</u> | <u>2012</u> <u>Taka</u> |
|--|----------------|----------------------------|----------------------------|
| Revenue | | | |
| Interest income from margin loan | | 702,343,400 | 678,154,382 |
| Less: Interest expenses | 25 | <u>(494,800,641)</u> | <u>(521,370,403)</u> |
| Net interest income | | 207,542,759 | 156,783,979 |
| Fee and commission income | 26 | 201,873,945 | 168,970,166 |
| Less: Fee and commission expenses | 27 | <u>(64,270,727)</u> | <u>(42,766,599)</u> |
| Net Fee and commission income | | 137,603,218 | 126,203,567 |
| Income from investment in securities | 28 | 90,312,062 | (1,138,046) |
| Other operating income | 29 | <u>3,495,399</u> | <u>6,816,237</u> |
| Total operating income | | 438,953,438 | 288,665,737 |
| Operating expenses | 30 | (145,488,881) | (132,404,998) |
| Depreciation | 5&6 | <u>(19,191,032)</u> | <u>(21,996,587)</u> |
| Operating profit | | 274,273,525 | 134,264,152 |
| Finance income | | 1,320,194 | 1,733,311 |
| Less: Financial expenses | 31 | <u>(1,990,393)</u> | <u>(1,066,491)</u> |
| Net finance income | | (670,200) | 666,820 |
| Share of profit of equity in associate company | 7 | <u>623,707</u> | <u>586,753</u> |
| Profit before income tax | | 274,227,032 | 135,517,725 |
| Less: Tax expenses | | | |
| Current tax | | (103,428,485) | (14,584,413) |
| Deferred tax income | 9 | <u>3,493,792</u> | <u>618,095</u> |
| | | (99,934,693) | (13,966,318) |
| Net profit after tax | | 174,292,339 | 121,551,407 |

These financial statements should be read in conjunction with annexed notes

SD
Chief Executive Officer

SD
Director

SD
Chairman

AUDITORS' REPORT TO THE SHAREHOLDERS
See annexed report of date

Dhaka

SD
Chartered Accountants

BRAC EPL Investments Limited
Statement of Cash Flows
For the year ended 31 December 2013

| | 2013 | 2012 |
|---|----------------------|----------------------|
| | <u>Taka</u> | <u>Taka</u> |
| A. Operating activities | | |
| Net profit before tax | 274,227,032 | 135,517,725 |
| Add: Items not involving in movement of cash: | | |
| Depreciation on property, plant and equipment | 18,409,087 | 20,413,100 |
| Depreciation of intangible asset | 781,945 | 1,583,487 |
| Gain on disposal of property, plant and equipment | (771,667) | - |
| (Gain)/ loss on foreign exchange | - | - |
| Finance charge- lease | 82,272 | 121,986 |
| Bad debt expenses | 4,321,630 | - |
| Impairment provision for investment in unquoted securities | - | - |
| Fair value adjustments for fall in values of investment in securities | (381,112) | (105,476,896) |
| Share of profit of equity in associate company | (623,707) | (586,753) |
| | 21,818,449 | (83,945,076) |
| Income tax paid | (19,201,861) | (33,163,288) |
| | 276,843,621 | 18,409,361 |
| Changes in working capital: | | |
| Decrease/ (increase) in loan and advances to customer | 9,695,287 | 245,209,820 |
| Decrease/ (increase) in accounts receivable | (123,023,046) | (480,779,656) |
| Decrease/ (increase) in advance and deposits | 3,409,593 | 7,456,472 |
| Decrease/ (increase) in inter-company receivable | (851,070) | 5,774,036 |
| Decrease/ (increase) in other receivables | (82,641) | (570,207) |
| (Decrease)/ increase in customer deposits | 7,385,854 | 222,245 |
| (Decrease)/ increase in accounts payable | 45,159,264 | (22,703,560) |
| Increase in inter-company payable | 893,857 | 261,224 |
| (Increase)/ decrease in other liabilities | 176,472,489 | (52,662,791) |
| | 119,059,587 | (297,792,417) |
| Net cash flows from operating activities-A | 395,903,208 | (279,383,056) |
| B. Cash flows from Investing activities: | | |
| Acquisition of property, plant and equipment | (4,022,141) | (199,329) |
| Disposal of property, plant and equipment | 3,300,000 | - |
| Investment in unquoted securities | - | (2,500,000) |
| Sale/ (purchase) of Investment securities | (5,394,095) | 510,656,989 |
| Net cash flows from investing activities-B | (6,116,236) | 507,957,660 |
| C. Cash flows from Financing activities | | |
| Decrease/ increase in bank overdraft | 306,136,762 | (116,821,514) |
| Decrease/ increase in Short term loans | (720,300,000) | (93,800,000) |
| Capital lease obligation | (378,240) | (378,242) |
| Net cash used in financing activities-C | (414,541,478) | (210,999,756) |
| Net increase/ (decrease) in cash and cash equivalents (A+B+C) | (24,754,507) | 17,574,848 |
| Cash and cash equivalents at the beginning of the year | 55,199,295 | 37,624,447 |
| Cash and cash equivalents at the end of the year | 30,444,789 | 55,199,295 |

SD
Chief Executive Officer

SD
Director

SD
Chairman

BRAC EPL Investments Limited
Statement of Changes in Equity
For the year ended 31 December 2013

| Particulars | Amount in Taka | | |
|---------------------------------------|--------------------|--------------------|--------------------|
| | Share capital | Share premium | Retained earnings |
| Balance as on 1 January 2012 | 390,000,000 | 436,825,951 | 166,654,820 |
| New issue of shares | - | - | - |
| Issue of bonus shares | 195,000,000 | - | (195,000,000) |
| Net profit for the year | - | - | 121,551,407 |
| Balance as on 31 December 2012 | 585,000,000 | 436,825,951 | 93,206,227 |
| New issue of shares | - | - | - |
| Issue of bonus shares | - | - | - |
| Net profit for the year 2013 | - | - | 174,292,339 |
| Balance as on 31 December 2013 | 585,000,000 | 436,825,951 | 267,498,566 |

SD
Chief Executive Officer

SD
Director

SD
Chairman

BRAC EPL Investments Limited
Notes to the Financial Statements
For the year ended 31 December 2013

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. 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 registered office of the Company is located at WW Tower, Motijheel, Dhaka.

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 Bangladesh Financial Reporting Standards (BFRS) and Bangladesh Accounting Standards (BAS), the Companies Act 1994 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 BAS 39: *Financial Instruments: Recognition and Measurement*.

2.3 Functional and presentation currency

The financial statements are presented in Bangladesh Taka, which is the Company's functional currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with BFRSs 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 recognises loans and advances and deposits on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Derecognition

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

Identification and measurement of impairment

At each balance sheet 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 recognised 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 equipments is recognised 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 & 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 recognised 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 income statement 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 as under:

| <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 | 25% - 33.33% |
| Office equipment | 10% - 50% |

3.4 Intangible assets

These represent cost of software and have been stated at cost as reduced by accumulated depreciation. Computer software acquired by the company which have finite useful life are measured at cost less accumulated depreciation. Depreciation is provided on software at the rate of 33.33% using the straight line method.

3.5 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 recognised in the statement of comprehensive income.

(b) Available for sale

Investments in shares which are not actively traded on a quoted market are designated as Available for Sale (AFS) assets. Since their fair values cannot be reliably measured, these are held at cost.

3.6 Taxation

The Company current tax has been calculated on the basis of the Finance Act 2012.

3.7 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 amortised cost.

3.8 Customer deposits

Customer deposits consists 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 amortised cost.

3.9 Provision

A provision is recognised 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

3.10 Lease Obligation

Leases of property, plant and equipment (PPE) are classified as finance leases where the Company (lessee) has substantially all the risks and rewards of ownership. Leased assets are capitalized on the basis of lower of fair value of leased assets and the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance of lease obligation. The PPE acquired under finance leases are depreciated over their estimated useful lives.

3.11 Revenue recognition

3.11.1 Interest income

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

3.11.2 Fee and commission income

Fee and commission income is recognised when the corresponding service is provided.

3.11.3 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.

3.11.4. Dividend income

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

3.11.5 Finance income

Finance income comprises of interest income on fixed deposits and savings accounts. Interest income is recognised 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 and fee income derived 10-15 major customers during the year.

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 managing 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

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 | | | | Depreciation | | | | | Amount in Taka | |
|-----------------------|---------------------------|---------------------------|----------------------------|-----------------------------|----------------------|---------------------------|-------------------------|----------------------------|-----------------------------|--|--|
| | Balance at 1 January 2013 | Additions during the year | Adjustment during the year | Balance at 31 December 2013 | Rate of depreciation | Balance at 1 January 2013 | Charged during the year | Adjustment during the year | Balance at 31 December 2013 | Written down value at 31 December 2013 | Written down value at 31 December 2012 |
| | | | | | | | | | | | |
| Furniture & fittings | 4,674,273 | 48,651 | - | 4,722,924 | 10%-33.33% | 2,067,410 | 901,296 | - | 2,968,706 | 1,754,218 | 2,606,863 |
| Office floor space | 6,147,661 | 201,136 | - | 6,348,797 | 5%-20% | 717,227 | 340,906 | - | 1,058,133 | 5,290,664 | 5,430,434 |
| Motor vehicles | 14,510,620 | 3,441,279 | 3,700,000 | 14,251,899 | 20% | 6,358,705 | 2,577,257 | 1,171,667 | 7,764,295 | 6,487,604 | 8,151,915 |
| Leasehold improvement | 53,587,833 | 159,575 | - | 53,747,408 | 15%-33.33% | 24,556,256 | 9,818,043 | - | 34,374,299 | 19,373,109 | 29,031,577 |
| IT equipment | 14,241,980 | 110,500 | - | 14,352,480 | 25%-33.33% | 10,316,730 | 2,949,475 | - | 13,266,205 | 1,086,275 | 3,925,250 |
| Office equipment | 10,143,822 | 61,000 | - | 10,204,822 | 10%-50% | 5,195,507 | 1,822,110 | - | 7,017,617 | 3,187,205 | 4,948,315 |
| Total 2013 | 103,306,189 | 4,022,141 | 3,700,000 | 103,628,330 | - | 49,211,835 | 18,409,087 | 1,171,667 | 66,449,256 | 37,179,074 | 54,094,354 |
| Total 2012 | 103,106,860 | 199,329 | - | 103,306,189 | - | 28,798,735 | 20,413,100 | - | 49,211,835 | 54,094,354 | |

| | 2013 <u>Taka</u> | 2012 <u>Taka</u> |
|--|--------------------------|--------------------------|
| 6 Intangible assets | | |
| Cost | | |
| Opening balance | 4,750,460 | 4,750,460 |
| Add: Additions during the year | - | - |
| | <u>4,750,460</u> | <u>4,750,460</u> |
| Accumulated depreciation | | |
| Opening balance | 3,864,348 | 2,280,861 |
| Add: Depreciation during the year | 781,945 | 1,583,487 |
| | <u>4,646,293</u> | <u>3,864,348</u> |
| | <u>104,167</u> | <u>886,112</u> |
| 7 Investment in associate company | | |
| BRAC Asset Management Company Limited | | |
| Opening balance | 13,718,064 | 13,131,311 |
| Profit for the year | 623,707 | 586,753 |
| | <u>14,341,771</u> | <u>13,718,064</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, 2012 & 2013 due to pending regulatory approval.

| | | |
|--|-------------------------|-------------------------|
| 8 Investment in unquoted securities | | |
| BRAC Impact Ventures Limited | <u>2,500,000</u> | <u>2,500,000</u> |
| In 2012, the Company along with other BRAC entities, invested Taka 2,500,000 in BRAC Impact Ventures Limited which represents 12.5% of the paid up capital of the Company. | | |

9 Deferred tax

Deferred tax has been recognized in accordance with the provision of BAS 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/ (loss) has been disclosed in statement of comprehensive income.

Deferred tax assets is arrived at as follows:

| | Carrying amount on balance sheet <u>date</u> | <u>Tax base</u> | (Tax base)/ Deductible <u>difference</u> |
|---|---|--------------------------|---|
| <u>As on 31 December 2013</u> | | | |
| Property, plant and equipment | 36,989,441 | 58,988,987 | 21,999,546 |
| Finance lease obligation | 293,800 | - | (293,800) |
| Temporary difference | | | <u>21,705,746</u> |
| Applicable tax rate | | | 37.50% |
| Deferred tax asset as on 31 December 2013 | | | 8,139,655 |
| Deferred tax asset as on 31 December 2012 | | | <u>4,645,863</u> |
| Deferred tax income for the year | | | <u>3,493,792</u> |
| <u>As on 31 December 2012</u> | | | |
| Property, plant and equipment | 54,415,466 | 67,369,434 | 12,953,968 |
| Finance lease obligation | 565,000 | - | (565,000) |
| Temporary difference | | | <u>12,388,968</u> |
| Applicable tax rate | | | 37.50% |
| Deferred tax asset as on 31 December 2012 | | | 4,645,863 |
| Deferred tax asset as on 31 December 2011 | | | <u>4,027,768</u> |
| Deferred tax income for the year | | | <u>618,095</u> |
| 10 Investment in quoted securities | | <u>34,715,105</u> | <u>28,939,899</u> |

| | 2013 | 2012 |
|--|-------------|-------------|
| | <u>Taka</u> | <u>Taka</u> |

Quoted securities

The Company invests in quoted securities, traded on the secondary capital market in Bangladesh. At the balance sheet date these are recognized at market value on aggregate basis. However, realized gains and dividend income on this investment has been regularly re-invested during the year. 70% of these funds are traded on a regular basis while approximately 30% is held as medium term investment. As per BAS 39 Financial Instruments: Recognition and Measurement, 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 Loans and Advances to customers

| | | |
|------------------------|----------------------|----------------------|
| Opening balance | 3,679,472,517 | 3,924,682,337 |
| Change during the year | (9,695,287) | (245,209,820) |
| | 3,669,777,230 | 3,679,472,517 |

At reporting date, the aggregate value of stocks held in customer portfolios was Tk. 5,907,741,629 which exceeded the total margin loans extended of Tk. 3,669,777, 230 resulting in an overall surplus of Tk. 2,237,964,399. However, at reporting date, there are certain margin loans against which the aggregate value of that portfolio falls below the loan extended to individuals' margin accounts and such shortfall amounts to Tk. 474,897,994 as against an amount of Tk. 754,645,253 in the preceding year. Management has successfully taken efforts to attract fresh deposits from accountholders and realized outstanding charges. In addition, the subsequent position of these amounts have improved due to upward price trend and positive market movements and helped reduce any further deterioration in the portfolio. Taking these factors into account, no provision has been made for the current year.

12 Accounts receivable

| | | |
|---|--------------------|--------------------|
| Portfolio Management Department (PMD) (Note-12.1) | 629,734,282 | 510,559,021 |
| Investment Banking Department (IBD) (Note-12.2) | 10,544,381 | 19,537,328 |
| Structured Finance Department (SFD) (Note-12.3) | 24,154,692 | 15,595,735 |
| Impact Investment Department | 929,400 | 1,955,000 |
| | 665,362,755 | 547,647,084 |

12.1 Portfolio Management Department (PMD)

| | | |
|--|--------------------|--------------------|
| Accrued interest receivable on margin loans | 445,758,041 | 451,368,426 |
| Accrued management fee receivable | 29,196,256 | 24,980,620 |
| Receivable from brokerage for client trading | 154,168,786 | 18,280,025 |
| Receivable from brokerage for own investment | - | 15,929,950 |
| Dividend income receivable | 611,200 | - |
| | 629,734,282 | 510,559,021 |

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. Accrued interest receivable and accrued portfolio management fee is deducted from client accounts on every calendar quarter and adjusted with client's purchase power accordingly. Dividend receivable represents approved dividends declared by listed entities which have not yet been credited to the company's account through the Central Depository Bangladesh Limited. However, these receivables are considered as good at the reporting date.

12.2 Investment Banking Department (IBD)

| | | |
|-------------------------|-------------------|-------------------|
| Issue management fee | 3,425,144 | 9,657,519 |
| Corporate advisory fee | 5,394,237 | 8,154,809 |
| Debt arrangement fee | 1,725,000 | 1,725,000 |
| Underwriting commission | - | - |
| | 10,544,381 | 19,537,328 |

12.3 Structured Finance Department (SFD)

| | | |
|------------------------|-------------------|-------------------|
| Debt arrangement fee | 17,365,000 | 13,800,000 |
| Corporate advisory fee | 6,789,692 | 1,795,735 |
| | 24,154,692 | 15,595,735 |

| | | 2013 <u>Taka</u> | 2012 <u>Taka</u> |
|-----------|---|---------------------|---------------------|
| 13 | Advances, deposits and prepayments | | |
| | Advances | | |
| | Staff loans | 4,095,128 | 5,527,069 |
| | VAT | 450,273 | 775,041 |
| | Employee, travel and accommodation | 135,828 | - |
| | | 4,681,230 | 6,302,110 |
| | Deposits | | |
| | Regulators | 314,500 | 314,500 |
| | Dhaka Stock Exchange Limited | 899,130 | - |
| | | 1,213,630 | 314,500 |
| | Prepayments | | |
| | Office rent | 3,899,915 | 6,833,393 |
| | General suppliers | 570,998 | 325,363 |
| | | 4,470,913 | 7,158,756 |
| | | 10,365,773 | 13,775,366 |
| 14 | Advance income tax | | |
| | Opening balance | 7,696,738 | 23,078,557 |
| | Add: Paid during the year | 19,201,861 | 33,163,288 |
| | | 26,898,599 | 56,241,845 |
| | Less: Adjusted during the year | 14,584,413 | 48,545,107 |
| | | 12,314,186 | 7,696,738 |
| 15 | Cash and cash equivalents | | |
| | Cash in hand | 43,965 | 109,301 |
| | Balance with Banks | | |
| | <i>Current account with:</i> | | |
| | BRAC Bank Limited | 4,657,186 | 28,551,078 |
| | Standard Chartered Bank | 24,898,549 | 25,861,942 |
| | One Bank Limited | 473,035 | 319,255 |
| | United Commercial Bank Limited | 82,345 | 85,015 |
| | Standard Bank Limited | 12,985 | 15,555 |
| | IFIC Bank Limited | 2,840 | 4,290 |
| | Citibank N.A. | - | - |
| | HSBC Bangladesh | - | - |
| | Commercial Bank of Ceylon PLC | - | - |
| | Jamuna Bank Limited | - | - |
| | | 30,126,940 | 54,837,135 |
| | <i>Short term deposit with:</i> | | |
| | National Bank Limited | 114,906 | 116,176 |
| | One Bank Limited | 92,203 | 69,908 |
| | Standard Chartered Bank | 66,775 | 66,775 |
| | Citibank N.A. | - | - |
| | HSBC Bangladesh | - | - |
| | Bank Alfalah Limited | - | - |
| | | 273,884 | 252,859 |
| | | 30,444,789 | 55,199,295 |
| 16 | Inter-company receivable | | |
| | BRAC Asset Management Company Limited | 801,850 | 654,750 |
| | BRAC EPL Stock Brokerage Limited | 1,040,414 | 535,592 |
| | BRAC Bank Limited | 50,000 | 65,000 |
| | BRAC | 214,148 | - |
| | | 2,106,412 | 1,255,342 |

| | | 2013 Taka | 2012 Taka |
|--|--|---------------|---------------|
| 17 Share capital | | | |
| 17.1 Authorized share capital | | | |
| 300,000,000 ordinary shares of Taka 10 each | | 3,000,000,000 | 3,000,000,000 |
| 17.2 Issued, subscribed and paid-up share capital | | | |
| 58,500,000 ordinary shares of Taka 10 each | | 585,000,000 | 585,000,000 |

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

| Name of shareholders | Nationality/ Incorporated in | No of shares | | Face value per share (Taka) | Amount | Amount |
|-------------------------------|---------------------------------|-------------------|-------------------|-----------------------------|--------------------|--------------------|
| | | 2013 | 2012 | | Taka | Taka |
| BRAC Bank Ltd. | Bangladesh | 44,459,962 | 44,459,962 | 10 | 444,599,620 | 444,599,620 |
| Other individual shareholders | Bangladeshi | 14,040,038 | 14,040,038 | 10 | 140,400,380 | 140,400,380 |
| | | 58,500,000 | 58,500,000 | | 585,000,000 | 585,000,000 |

18 Finance lease obligations

Opening balance

Add: Addition during the year

Less: Payments made during the year

Less: Current portion-transferred to current liabilities

| | |
|---------------|----------------|
| 699,720 | 955,974 |
| - | - |
| (295,968) | (256,254) |
| 403,752 | 699,720 |
| (341,826) | (295,968) |
| 61,926 | 403,752 |

The repayment of lease obligations and repayable amount after the balance sheet date are as follows:

Finance lease liabilities-minimum lease payments

Payable not later than one year

Payable later than one year but not later than 5 years

| | |
|----------------|----------------|
| 341,826 | 295,968 |
| 61,926 | 403,752 |
| 403,752 | 699,720 |

19 Customer deposits

Opening balance

Change during the year

| | |
|-------------------|-------------------|
| 32,035,423 | 31,813,178 |
| 7,385,854 | 222,245 |
| 39,421,277 | 32,035,423 |

Customer deposits represent uninvested funds lying in the Company's account at the reporting date.

20 Bank Overdraft

BRAC Bank Limited

IFIC Bank Limited

One Bank Limited

Standard Bank Limited

United Commercial Bank Limited

| | |
|----------------------|----------------------|
| 754,501,664 | 197,224,054 |
| 569,744,823 | 573,192,045 |
| 159,827,062 | 190,605,774 |
| 261,183,614 | 270,982,977 |
| 441,613,709 | 648,729,261 |
| 2,186,870,873 | 1,880,734,111 |

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 2014 |

BRAC Bank Limited

| | |
|----------------------|--|
| Type of facility | : Overdraft 2- Renewal |
| Loan limit | : BDT 50,000,000 (BDT Fifty 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 2014 |

IFIC Bank Limited

| | |
|----------------------|--|
| Type of facility | : Overdraft - Renewal |
| Facility limit | : BDT 600,000,000 (BDT Six Hundred Million) only. |
| Repayment procedures | : From operational cash flow/or own sources of borrower. |
| Maximum tenor | : 1 (One) year (will be renewed after one year). |
| Purpose | : For merchant banking operation of the company as margin loans to clients and day to day activities |
| Expiry | : 31 January 2014 |

One Bank Limited (Overdraft facility)

| | |
|----------------------|--|
| Type of facility | : Overdraft (Revolving) |
| Facility limit | : BDT 200,000,000 (BDT Two hundred million) only. |
| Repayment procedures | : From operational cash flow/or own sources of borrower. |
| Purpose | : For merchant banking operation of the company as margin loans to clients and day to day activities |
| Expiry | : 25 February 2014 |

Standard Bank Limited (Overdraft facility)

| | |
|----------------------|--|
| Type of facility | : Overdraft (Renewal) |
| Facility limit | : BDT 300,000,000 (BDT Three hundred million) only. |
| Repayment procedures | : From operational cash flow/or own sources of borrower. |
| Purpose | : For merchant banking operation of the company as margin loans to clients and day to day activities |
| Expiry | : 30 September 2014 |

United commercial Bank Limited

| | |
|----------------------|--|
| Type of facility | : Overdraft (Renewal) |
| Facility limit | : BDT 700,000,000 (BDT Seven hundred million) only. |
| Repayment procedures | : From operational cash flow/or own sources of borrower. |
| Purpose | : For merchant banking operation of the company as margin loans to clients and day to day activities |
| Expiry | : 31 May 2013 |

| | 2013 <u>Taka</u> | 2012 <u>Taka</u> |
|--|--|-----------------------------|
| 21 Short term loan | | |
| Opening balance | 1,320,300,000 | 1,414,100,000 |
| Add: Received during the year | 1,295,000,000 | 2,722,300,000 |
| | <u>2,615,300,000</u> | <u>4,136,400,000</u> |
| Less: Payment during the year | (2,015,300,000) | (2,816,100,000) |
| | <u>600,000,000</u> | <u>1,320,300,000</u> |
| <i>The terms and conditions of the loan taken from BRAC Bank Limited are as follows:</i> | | |
| 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 2014 | |
| 22 Accounts payable | | |
| VAT on fee income | 6,061,168 | 6,745,279 |
| Broker for client trading | 48,969,223 | 2,331,532 |
| Tax deducted at source from salaries and allowances | 406,895 | 626,867 |
| VAT on office rent | 179,017 | 344,788 |
| Supplies for capital expenditure | - | 330,129 |
| VAT on suppliers' payments | 164,420 | 240,556 |
| Tax deducted at source from suppliers | 206,988 | 228,859 |
| Tax deducted at source from office rent | 16,591 | 3,084 |
| | <u>56,004,301</u> | <u>10,851,094</u> |
| 23 Other liabilities | | |
| Sales receivable in transit | 187,818,553 | 21,932,818 |
| Salaries and allowances | 22,226,819 | 11,760,003 |
| Office maintenance | 219,259 | 473,745 |
| Printing, postage and stationery | - | 374,178 |
| Audit fees | | 180,000 |
| IT expenses | 81,219 | 179,248 |
| CDBL charges | 691,408 | 165,188 |
| Telephone and mobile expenses | 155,245 | 152,960 |
| Rent | 52,964 | 57,571 |
| Security services | 44,342 | 37,069 |
| Legal and professional fees | 289,000 | 36,000 |
| Repair and maintenance | 14,332 | 12,578 |
| Insurance costs | - | - |
| Entertainment | - | - |
| Advertisement | 13,123 | - |
| | <u>211,606,264</u> | <u>35,361,358</u> |
| 24 Provision for taxation | | |
| Opening balance | 14,584,413 | 48,545,107 |
| Add : Provision made during the year | 103,428,485 | 14,584,413 |
| Less: Paid/adjusted during the year | (14,584,413) | (48,545,107) |
| | <u>103,428,485</u> | <u>14,584,413</u> |

| | | 2013 <u>Taka</u> | 2012 <u>Taka</u> |
|-------------|--|---------------------|---------------------|
| 25 | Interest expenses | | |
| | BRAC Bank Limited | 217,045,239 | 220,336,349 |
| | United Commercial Bank Limited | 111,873,528 | 120,691,416 |
| | IFIC Bank Limited | 94,473,429 | 93,844,320 |
| | Standard Bank Limited | 42,185,268 | 52,580,589 |
| | One Bank Limited | 29,223,177 | 33,917,729 |
| | | 494,800,641 | 521,370,403 |
| 26 | Fee and commission income | | |
| | Portfolio Management Department (PMD) (note-26.1) | 152,373,320 | 126,422,693 |
| | Investment Banking Department (IBD) (note-26.2) | 8,606,157 | 20,056,356 |
| | Structured Finance Department (SFD) (note-26.3) | 38,538,428 | 20,791,117 |
| | Impact Investments Department fees | 2,356,040 | 1,700,000 |
| | | 201,873,945 | 168,970,166 |
| 26.1 | Portfolio Management Department (PMD) | | |
| | Management fee | 50,677,689 | 62,383,031 |
| | Settlement fee | 101,238,331 | 63,926,562 |
| | Documentation fee | 53,600 | 113,100 |
| | BO Maintenance Fees | 403,700 | - |
| | | 152,373,320 | 126,422,693 |
| 26.2 | Investment Banking Department (IBD) | | |
| | Corporate advisory fees | 8,606,157 | 10,285,704 |
| | Issue management fee | - | 9,570,652 |
| | Underwriting commission | - | 200,000 |
| | | 8,606,157 | 20,056,356 |
| 26.3 | Structured Finance Department (SFD) | | |
| | Debt arrangement fee | 13,600,000 | 11,900,000 |
| | Corporate advisory fee | 24,838,428 | 8,391,117 |
| | Private equity arrangement fee | 100,000 | 500,000 |
| | | 38,538,428 | 20,791,117 |
| 27 | Fee and commission expenses | | |
| | Brokerage commission cost | 56,733,448 | 39,954,099 |
| | Consultancy fees | 7,537,279 | 2,812,500 |
| | | 64,270,727 | 42,766,599 |
| 28 | Income from investment in securities | | |
| | Investment in securities at fair value through profit or loss: | | |
| | Realized gain/(loss) during the year | 89,930,950 | (106,614,942) |
| | Fair value adjustment at reporting date | 381,112 | 105,476,896 |
| | | 90,312,062 | (1,138,046) |
| 29 | Other operating income | | |
| | Dividend income | 1,825,431 | 5,778,948 |
| | Rental income | 586,222 | 550,971 |
| | Interest income on staff loan | 312,079 | 326,318 |
| | Gain on disposal of property, plant and equipment | 771,667 | 160,000 |
| | | 3,495,399 | 6,816,237 |

| | 2013 <u>Taka</u> | 2012 <u>Taka</u> |
|---|---------------------|---------------------|
| 30 Operating expenses | | |
| Salaries and allowances | 60,102,561 | 57,260,696 |
| Other personnel expenses | 30,908,388 | 23,744,219 |
| Rental expenses | 15,566,195 | 14,745,435 |
| Utilities, maintenance and running expenses | 8,962,639 | 7,667,832 |
| CDBL expenses | 4,709,356 | 2,797,096 |
| Legal and professional fees | 4,654,574 | 5,801,052 |
| Telephone, communication and IT expenses | 4,631,966 | 5,445,862 |
| Travelling and conveyance | 1,977,256 | 2,707,031 |
| Bad debt expenses | 4,321,630 | - |
| Printing and stationery | 2,054,032 | 2,244,839 |
| Advertisement expenses | 442,264 | 2,111,801 |
| Vehicle maintenance expenses | 1,709,941 | 1,844,764 |
| Entertainment expenses | 1,650,022 | 1,469,376 |
| Regulatory fees | 168,995 | 1,369,667 |
| Training and development expenses | 973,178 | 1,011,772 |
| Meeting expenses | 931,500 | 900,750 |
| License and renewal fees | 580,414 | 793,618 |
| Audit fees | 253,000 | 230,000 |
| Business development and promotional expenses | 890,970 | 196,052 |
| Insurance | - | 63,136 |
| | 145,488,881 | 132,404,998 |
| 31 Financial expenses | | |
| Bank charges and commission | 688,771 | 944,505 |
| Finance charge - lease | 82,272 | 121,986 |
| Loan arrangement fees | 1,219,350 | - |
| | 1,990,393 | 1,066,491 |
| 32 Contingent liabilities and commitments | | |
| a) Bills of exchange discounted with the bank | NIL | NIL |
| b) Underwriting Commitments Outstanding | 28,800,000 | 159,000,000 |
| c) Other contingent liabilities | NIL | NIL |
| e) Capital expenditure commitments | NIL | NIL |
| i) Contracted but not accounted for | NIL | NIL |
| ii) Approved but not contracted for | NIL | NIL |
| 33 Number of employees | | |
| During the period 64 permanent employees were in the employment with the company whose earning was Taka 36,000 or more per annum. | | |

34 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 | | Nature of transactions | 2013 Taka | 2012 Taka |
|---------------------------------------|----------------|------------------------|----------------|---------------|
| BRAC Bank Limited | | IT transaction costs | 81,219 | 576,388 |
| | | Loans and borrowing | 1,354,501,664 | 1,613,431,410 |
| BRAC EPL Stock Brokerage Limited | | Cost sharing | 801,850 | 627,843 |
| BRAC | | Transaction costs | 50,000 | - |
| BRAC Asset Management Company Limited | | Reimbursable expenses | 1,040,414 | 654,750 |
| SD Chief Executive Officer | SD Director | | SD Chairman | |

INDEPENDENT AUDITORS' REPORT
To the shareholders of
BRAC EPL Stock Brokerage Limited

We have audited the accompanying financial statements of **BRAC EPL Stock Brokerage Limited** which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes and information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), give a true and fair view of the Company's affairs as at 31 December 2013 and of the results of its operations and its cash flows for the year then ended and comply with the Companies Act, 1994 and other applicable laws and regulations.

We also report that:

- a) 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;
- 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 company's Statement of Financial Position and Statement of Comprehensive Income together with notes 1 to 30 thereto dealt with by the report are in agreement with the books of account.

SD

Hoda Vasi Chowdhury & Co
Chartered Accountants

Dhaka

BRAC EPL Stock Brokerage Limited
Statement of Financial Position
As at 31 December 2013

| | | 2013 | 2012 |
|--|--------------|----------------------|--------------------|
| Assets | Notes | Taka | Taka |
| Non-current assets | | | |
| Property, plant and equipments | 5 | 56,902,516 | 70,736,001 |
| Intangible assets | 6 | 17,886,080 | 3,023,856 |
| Membership at cost | 7 | 11,027,750 | 11,027,750 |
| Investment in Associate Company | 8 | 13,768,100 | 13,169,342 |
| Investments in unquoted securities | 9 | 1,985,743 | 2,500,000 |
| Investment in Zero Coupon Bond | | 49,602,516 | - |
| Investment in DSE & CSE | 10 | 46,009,744 | - |
| | | 197,182,451 | 100,456,949 |
| Current assets | | | |
| Investment in Shares | 11 | 40,286 | 61,614,752 |
| Accounts receivable | 12 | 108,877,379 | 42,652,080 |
| Receivable from BRAC EPL Investments Limited | | 3,057,293 | 673,499 |
| Margin loan receivables | 13 | 88,626,587 | 49,691,103 |
| Advances, Deposits and Prepayments | 14 | 136,424,064 | 99,084,920 |
| Other receivables | 15 | 3,338,206 | 2,054,197 |
| Cash and cash equivalents | 16 | 492,675,329 | 478,260,893 |
| | | 833,039,144 | 734,031,444 |
| Total assets | | 1,030,221,595 | 834,488,393 |
| Equity and Liabilities | | | |
| Shareholder's equity | | | |
| Share Capital | 17 | 451,500,000 | 451,500,000 |
| Retained earnings | | 51,411,997 | 16,562,923 |
| | | 502,911,997 | 468,062,923 |
| Current liabilities | | | |
| Accounts payable | 18 | 272,868,145 | 243,622,482 |
| Investment suspense account | 19 | 46,009,744 | - |
| Inter-company payables | 20 | 22,784,271 | 1,252,148 |
| Liability for expenses | 21 | 34,367,081 | 22,880,578 |
| Provision for income tax | 22 | 151,280,357 | 98,670,263 |
| | | 527,309,598 | 366,425,471 |
| Total equity and liabilities | | 1,030,221,595 | 834,488,393 |

These financial statements should be read in conjunction with annexed notes

SD
Chief Executive Officer

SD
Director

SD
Chairman

AUDITORS' REPORT TO THE SHAREHOLDERS
See annexed report of date

Dhaka

SD
Chartered Accountants

BRAC EPL Stock Brokerage Limited
Statement of Comprehensive Income
For the year ended 31 December 2013

| | | 2013 | 2012 |
|--|---------------------|--------------------|--------------------|
| | <u>Notes</u> | <u>Taka</u> | <u>Taka</u> |
| Revenue | 23 | 235,233,647 | 162,263,294 |
| Less: Direct expenses | 24 | 17,661,995 | 11,135,859 |
| Operating expenses | 25 | 181,281,369 | 145,475,278 |
| Gross profit | | 36,290,283 | 5,652,157 |
| Add: Other income | 26 | 67,959,477 | 47,465,102 |
| Operating profit | | 104,249,760 | 53,117,259 |
| Less: Financial expenses | 27 | 2,632,184 | 3,450,902 |
| | | 101,617,576 | 49,666,357 |
| Share of profit of equity in associate company | | 84,502 | 563,283 |
| Net profit before tax | | 101,702,078 | 50,229,640 |
| Less: Tax expenses | 28 | 66,853,004 | 40,649,135 |
| Net profit after tax | | 34,849,074 | 9,580,505 |

These financial statements should be read in conjunction with annexed notes

SD
Chief Executive Officer

SD
Director

SD
Chairman

AUDITORS' REPORT TO THE SHAREHOLDERS
See annexed report of date

Dhaka

SD
Chartered Accountants

BRAC EPL Stock Brokerage Limited
Statement of Cash Flows
For the year ended 31 December 2013

| | 2013 | 2012 |
|---|---------------------|---------------------|
| | <u>Taka</u> | <u>Taka</u> |
| A. Cash flow from operating activities: | | |
| Commission, interest and others received | 271,227,790 | 178,281,101 |
| Payments for creditors and other expenses | (194,542,067) | (140,865,717) |
| Loans and advances | (38,935,484) | (49,691,103) |
| Cash generated from operating activities | 37,750,239 | (12,275,719) |
| Other income | 30,639,167 | 29,292,040 |
| Interest Paid | - | (2,261,667) |
| Income tax paid | (54,499,053) | (36,230,397) |
| Cash generated from other operating activities | (23,859,887) | (9,200,024) |
| Net cash flows from operating activities | 13,890,353 | (21,475,742) |
| B. Cash flow from investing activities: | | |
| Acquisition of Fixed Assets | (8,927,517) | (20,007,888) |
| Investment in Associate Company | - | (2,500,000) |
| Investment in Zero Coupon Bond | (49,602,516) | - |
| Investment in Shares | 61,566,966 | 8,390,630 |
| Net cash flows from investing activities | 3,036,933 | (14,117,258) |
| C. Cash Flow from Financing Activities: | | |
| Bank charges | (2,512,849) | (154,235) |
| Net cash used in financing activities | (2,512,849) | (154,235) |
| Net cash flows (A+B+C) | 14,414,436 | (35,747,235) |
| Cash and cash Equivalents at the beginning of the year | 478,260,893 | 514,008,128 |
| Cash and cash Equivalents at the end of the year | 492,675,329 | 478,260,893 |

SD
Chief Executive Officer

SD
Director

SD
Chairman

BRAC EPL Stock Brokerage Limited
Statement of Changes in Equity
For the year ended 31 December 2013

| Particulars | Share capital (Taka) | Retained earnings (Taka) | Total (Taka) |
|---------------------------------------|-------------------------|-----------------------------|--------------------|
| Balance as at 1 January 2012 | 350,000,000 | 108,482,418 | 458,482,418 |
| Issue of bonus shares | 101,500,000 | (101,500,000) | - |
| Net profit for the year | - | 9,580,505 | 9,580,505 |
| Balance as at 31 December 2012 | 451,500,000 | 16,562,923 | 468,062,923 |
| Balance as at 1 January 2013 | 451,500,000 | 16,562,923 | 468,062,923 |
| Issue of bonus shares | - | - | - |
| Net profit for the year | - | 34,849,074 | 34,849,074 |
| Balance as at 31 December 2013 | 451,500,000 | 51,411,997 | 502,911,997 |

SD
Chief Executive Officer

SD
Director

SD
Chairman

BRAC EPL Stock Brokerage Limited
Notes to the Financial Statements
For the year ended 31 December 2013

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.

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.

3 Basis of preparation of financial statements

The financial statements of the Company have been prepared on going concern basis under the historical cost convention in accordance with Bangladesh Financial Reporting Standards (BFRSs) and Bangladesh Accounting Standards (BASs), the Companies Act 1994, the Securities and Exchange Commission Rules 1987 and other applicable laws and regulations applicable in Bangladesh.

4 Summary of significant accounting policies

4.1 Recognition of property, plant and equipment (PPE)

The cost of an item of property, plant and equipments is recognised 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 & 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 recognised 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 income statement during the financial period in which they are incurred.

4.2 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 as under:

| Name of the assets | Rates |
|---------------------------------|--------------|
| Office floor space | 2% |
| Furniture and fixture | 12.50% |
| Office decoration | 15% |
| Computers and accessories | 25% |
| Air cooler and ceiling fans | 20% |
| Electrical and office equipment | 20% |
| Vehicles | 20% |

4.3 Intangible assets

These represent cost of software and have been stated at cost as reduced by accumulated depreciation. Computer software acquired by the company which have finite useful life are measured at cost less accumulated depreciation. Depreciation is provided on software at the rate of 33.33% using the straight line method.

4.4 Investments

- a) Investment in shares have been recognized at market price valued on aggregate basis; and
- b) Stock dividend (Bonus Shares) are added with existing shares with at zero cost which results decrease in per unit cost price of the exiting shares. However, bonus shares are shown at fair value on the Balance Sheet date.

4.5 Accounting for 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.

4.6 Taxation

a) Current tax :

Current tax has been made on the basis of the Finance Act 2012. Income tax withheld from the transactions of traded securities in accordance with section 53BBB @ 0.05% is the final tax liability 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 @ 37.5% on other 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 final settlement of tax liability, therefore, no deferred tax is required.

4.7 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 STD account is recognized when the interest is credited to the company's bank accounts by the respective banks.
- (iii) Cash dividend income is recognized on the declaration of dividend and subsequent receipt of such dividend; and
- (iv) Capital gains on sale of shares are recognized upon realization.

4.8 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 BBL will pay monthly salary to BESL management and staffs as per its HR policy and the expenses will be reimbursed by the BESL. Further, BESL will be charged a 5% fee for all disbursements made by BBL to cover overhead expenses.

4.9 Recognition & Measurement of Financial Instrument

Financial assets at fair value through profit or loss are assets held for trading that is shown at fair market value as required by BAS-39: Financial Instrument - Recognition & Measurement. As per BAS-39 any fluctuation in the fair market value of the shares/ securities classified as fair value through profit and 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.

4.10 Margin loan to clients

Margin loans are given as per margin loan policy of the Company. Normally Clients are required to deposit Tk.50 lac for entitlement of margin loan.

4.11 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.

5 Property, plant and equipments

Amount in Taka

| Particulars | Cost | | | | Rate (%) | Depreciation | | | | Written down value at 31 Dec 2013 |
|---------------------------------|-----------------------|---------------------------|----------------------|------------------------|----------|-----------------------|-------------------------|----------------------|------------------------|-----------------------------------|
| | Balance at 1 Jan 2013 | Additions during the year | Adjustment/ Disposal | Balance at 31 Dec 2013 | | Balance at 1 Jan 2013 | Charged during the year | Adjustment/ Disposal | Balance at 31 Dec 2013 | |
| | Taka | Taka | | Taka | | Taka | Taka | | Taka | |
| Office floor space | 10,472,795 | | - | 10,472,795 | 2 | 471,980 | 209,808 | - | 681,788 | 9,791,007 |
| Furniture and fixtures | 7,969,231 | | 67,782 | 7,901,449 | 13 | 2,332,682 | 1,011,082 | 31,451 | 3,312,313 | 4,589,137 |
| Office decoration | 38,257,321 | 284,010 | - | 38,541,331 | 15 | 12,226,064 | 5,613,370 | - | 17,839,434 | 20,701,897 |
| Computers and accessories | 19,883,530 | 1,303,135 | - | 21,186,665 | 25 | 8,930,659 | 4,535,974 | - | 13,466,633 | 7,720,032 |
| Air coolers and ceiling fans | 8,911,884 | | - | 8,911,884 | 20 | 4,583,237 | 1,773,013 | - | 6,356,250 | 2,555,634 |
| Electrical and office equipment | 13,793,677 | 774,392 | - | 14,568,069 | 20 | 5,605,482 | 2,776,280 | - | 8,381,762 | 6,186,307 |
| Vehicles | 9,693,181 | 1,613,000 | - | 11,306,181 | 20 | 4,089,515 | 1,858,164 | - | 5,947,679 | 5,358,502 |
| Total 2013 | 108,981,619 | 3,974,537 | 67,782 | 112,888,374 | | 38,239,618 | 17,777,691 | 31,451 | 55,985,858 | 56,902,516 |
| Total 2012 | 91,048,717 | 17,960,388 | 33,487 | 108,975,619 | | 21,530,793 | 16,714,784 | 5,958 | 38,239,618 | 70,736,001 |

Note: The cost of property, plant & equipment includes BDT 4,436,853 which are ready to dispose.

| | 2013 Taka | 2012 Taka |
|---|-------------------|------------------|
| 6 Intangible assets | | |
| Cost at the beginning of the year | 6,005,879 | 3,958,379 |
| Add: Additions during the year | 18,207,531 | 2,047,500 |
| Cost at the close of the year | 24,213,410 | 6,005,879 |
| Accumulated depreciation at the beginning of the year | 2,982,023 | 1,128,253 |
| Add: Depreciation during the year @ 33.33% | 3,345,307 | 1,853,770 |
| Accumulated depreciation at the end of the year | 6,327,330 | 2,982,023 |
| Carrying amount as at 31 December | 17,886,080 | 3,023,856 |

The cost of intangible assets include BDT 330,900 which are ready to dispose.

| | | |
|---|-------------------|-------------------|
| 7 Membership at cost | | |
| Dhaka Stock Exchange Limited (DSE) | 6,920,500 | 6,920,500 |
| Chittagong Stock Exchange Limited (CSE) | 4,107,250 | 4,107,250 |
| | 11,027,750 | 11,027,750 |

Pursuant the Exchanges Demutualization Act 2013, Dhaka Stock Exchange and Chittagong Stock Exchange have issued ordinary shares and TREC licence to BRAC EPL Stock Brokerage Limited. The valuation of TREC is yet to be decided. Later if the valuation of TREC is decided, "Membership at cost" will be adjusted accordingly against "Investment Suspense Account" or any other manner as permitted under registrations.

| | | |
|--|-------------------|-------------------|
| 8 Investment in Associate Company | | |
| BRAC Asset Management Company Limited | | |
| Opening balance | 13,169,342 | 12,606,059 |
| Add: Profit for the period | 598,758 | 563,283 |
| | 13,768,100 | 13,169,342 |

In 2010, the company, along with other BRAC entities, invested taka 12,000,000 in the shares of BRAC Asset Management Company Limited which represents 24% of paid up capital of that company. The Company has been waiting for regulatory permission.

| | | |
|--|------------------|------------------|
| 9 Investment in unquoted securities | | |
| BRAC Impact Ventures Limited | | |
| Opening balance | 2,500,000 | 2,500,000 |
| Less: loss for the period | 514,257 | - |
| | 1,985,743 | 2,500,000 |

During the year 2012, the company, along with other BRAC entities, invested taka 2,500,000 in the shares of BRAC Impact Ventures Limited which represents 12.5% of paid up capital of that company.

| | | |
|---|-------------------|----------|
| 10 Investments in DSE & CSE | | |
| Dhaka Stock Exchange Limited (DSE) | 28,860,424 | - |
| Chittagong Stock Exchange Limited (CSE) | 17,149,320 | - |
| | 46,009,744 | - |

As per the provisions of the Exchanges Demutualization Act 2013 and in accordance with the BSEC approved Demutualization scheme, BRAC EPL Stock Brokerage Limited received the following ordinary shares:

| Shares issued by | No. of shares | Amount (BDT) |
|---|-------------------|--------------------|
| Dhaka Stock Exchange Limited (DSE) | 7,215,106 | 72,151,060 |
| Chittagong Stock Exchange Limited (CSE) | 4,287,330 | 42,873,300 |
| Total | 11,502,436 | 115,024,360 |

2013
Taka

2012
Taka

Out of these 11,502,436 shares, 40% shares i.e. 4,600,974 shares has been transferred by Exchanges to the Company's BO account. Remaining 60% shares i.e. 6,901,462 shares will remain in blocked account for disposal in due course.

Valuation of 40% shares:

40% shares which are transferred in the BO account will be held by the Company as the Company does not have the sale right of these shares. The shares will be stated at face value. The shares are transferred to the Investment Suspense Account in the absence of any clear guideline in this regard. In future, when the clear guidelines and policies are available, Investment Suspense Account will be adjusted for appropriate accounting treatment.

Valuation of 60% shares:

As per the scheme, 60% shares which will be transferred to the blocked account will be off-loaded in the following manner:

1. 25% shares will be sold to the strategic investors by the both Exchanges.
2. Except shares allotted in favor of strategic investors, shares held in blocked account shall be sold to general public/ institutional investors.
3. The DSE & CSE shall distribute all the sale proceeds of shares held in blocked account to the initial shareholders pro-rata basis periodically as determined by the Exchanges.

11 Investment in shares

| | | |
|--|---------------|-------------------|
| Investment in Shares- IPO | 6,000 | 13,500 |
| Investment in Shares of listed Companies -Dealer Account | 34,286 | 61,601,252 |
| | 40,286 | 61,614,752 |

12 Accounts Receivable

| | | |
|---------|--------------------|-------------------|
| Clients | 73,788,037 | 39,991,749 |
| DSE | 34,971,576 | 2,627,255 |
| CSE | 117,766 | 33,076 |
| | 108,877,379 | 42,652,080 |

13 Margin loan receivables

| | | |
|--|-------------------|-------------------|
| | 88,626,587 | 49,691,103 |
|--|-------------------|-------------------|

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 100% of client's margin.

14 Advances, Deposits and Prepayments

| | | |
|-------------------------|--------------------|-------------------|
| Advances (Note -14.1) | 134,785,634 | 97,813,884 |
| Deposits (Note-14.2) | 988,981 | 988,981 |
| Prepayments (Note-14.3) | 649,449 | 282,055 |
| | 136,424,064 | 99,084,920 |

14.1 Advances

| | | |
|--|--------------------|-------------------|
| Income tax | 120,412,039 | 80,155,896 |
| Office rent | 10,682,945 | 15,682,648 |
| Software System | 862,880 | 754,200 |
| Advance against trading expenses - Bloomberg Finance L.P | 475,540 | 476,548 |
| Salary and other advances | 614,870 | 110,480 |
| Other Advances | 1,737,360 | 634,113 |
| | 134,785,634 | 97,813,884 |

14.2 Security deposits

| | | |
|---|----------------|----------------|
| DSE-floor space | 850,024 | 850,024 |
| Central Depository Bank limited for Depository Participator | 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 |
| | 988,981 | 988,981 |

| | 2013 Taka | 2012 Taka |
|--|----------------------|----------------------|
| 14.3 Prepayments | | |
| Prepaid insurance | 556,272 | 221,486 |
| Prepaid VAT | 93,177 | 60,570 |
| | 649,449 | 282,055 |
| 15 Other receivables | | |
| Other income receivables | 3,281,810 | 1,720,580 |
| Accounts receivable- others | 56,396 | 333,617 |
| | 3,338,206 | 2,054,197 |
| 16 Cash and cash equivalents | | |
| Cash in hand | 161,996 | 161,232 |
| Cash at Bank | | |
| Current Account with: | | |
| Standard Chartered Bank | 41,848,713 | 317,921,027 |
| One Bank Limited | 131,442,177 | 20,849,988 |
| The City Bank Limited | 26,103,185 | 11,530,094 |
| BRAC Bank Limited | 677,480 | 2,279,269 |
| HSBC | 1,628,824 | 28,148 |
| City Islami | 4,060 | - |
| | 201,704,439 | 352,608,527 |
| Short term deposit with | | |
| BRAC Bank Limited | 93,983,308 | 2,250,995 |
| Term deposit (FDR) with | | |
| BRAC Bank Limited | 164,350,420 | 96,420,190 |
| Standard Chartered Bank | 15,329,458 | 14,000,000 |
| Jamuna Bank Limited | 5,900,021 | 5,289,988 |
| Trust Bank Limited | 5,877,305 | 5,284,177 |
| | 191,457,204 | 120,994,355 |
| BO account with | | |
| BRAC Bank Limited | 5,039,680 | 1,933,801 |
| Dealer account with | | |
| BRAC Bank Limited | 328,702 | 311,983 |
| | 492,675,329 | 478,260,893 |
| 17 Share capital | | |
| 17.1 Authorized share capital | | |
| 10,000,000 ordinary shares of Taka 100 each | 1,000,000,000 | 1,000,000,000 |
| 17.2 Issued, subscribed and paid-up share capital | | |
| 500,000 ordinary shares of Taka 100 each | 50,000,000 | 50,000,000 |
| 4,015,000 bonus shares of Taka 100 each | 401,500,000 | 401,500,000 |
| | 451,500,000 | 451,500,000 |

The Company's shareholding position at the date of statement of financial position was as follows:

| Name of Shareholders | Nationality/ Incorporated in | No of shares | | Face value | Amount | Amount |
|----------------------|---------------------------------|------------------|------------------|------------|--------------------|--------------------|
| | | 2013 | 2012 | | Taka | Taka |
| BRAC Bank | Bangladesh | 4,063,498 | 3,150,000 | 100 | 406,349,800 | 315,000,000 |
| Saiful Islam | Bangladeshi | 451,500 | 350,000 | 100 | 45,150,000 | 35,000,000 |
| BRAC | Bangladesh | 2 | - | 100 | 200 | - |
| | | 4,515,000 | 3,500,000 | | 451,500,000 | 350,000,000 |

18 Accounts Payable

| | | |
|---------|--------------------|--------------------|
| Clients | 260,371,674 | 237,701,016 |
| DSE | 10,023,721 | 5,052,220 |
| CSE | 2,472,750 | 869,246 |
| | 272,868,145 | 243,622,482 |

| | 2013 Taka | 2012 Taka |
|--|----------------------|----------------------|
| 19 Investment Suspense Account | | |
| Dhaka Stock Exchange Limited (DSE) | 28,860,424 | - |
| Chittagong Stock Exchange Limited (CSE) | 17,149,320 | - |
| | 46,009,744 | - |
| 20 Inter-company payables | | |
| BRAC Bank Limited | 16,349,697 | 819,571 |
| BRAC EPL Investment Limited | 1,040,414 | 432,576 |
| Bits | 5,394,160 | - |
| | 22,784,271 | 1,252,148 |
| 21 Liability for expenses | | |
| Performance bonus | 28,418,800 | 14,363,784 |
| Provision for bad debts | 1,200,000 | 1,200,000 |
| CDBL BO maintenance fees | 147,277 | 2,704,581 |
| Withholding tax on employees salary | (508,265) | 282,789 |
| Withholdings tax and VAT on supplies | 1,461,656 | 877,648 |
| Bank guarantee commission payable | - | 757,819 |
| Business development expense | 1,049,751 | 530,343 |
| Legal & professional fees | 400,001 | 406,794 |
| Computer expenses payable | 552,065 | 355,298 |
| Office rent | 64,131 | 211,394 |
| Audit fees | 110,000 | 110,000 |
| Electricity bills | 110,376 | 86,049 |
| Entertainment expense payable | 96,330 | 83,965 |
| CDBL charges | - | 78,257 |
| Repair & office maintenance | 97,779 | 26,967 |
| Telephone and mobile bills | 163,080 | 18,118 |
| Utilities and outsources | 8,587 | 21,687 |
| Salary payable | 443,396 | 12,293 |
| Others | 552,118 | 752,793 |
| | 34,367,081 | 22,880,578 |
| 22 Provision for income tax | | |
| Balance at the beginning of the year | 98,670,263 | 71,409,227 |
| Add: Provision made during the year (Note-28) | 66,853,004 | 40,649,135 |
| Less: Adjustment of tax provision for previous years | 14,242,910 | 13,388,099 |
| | 151,280,357 | 98,670,263 |
| 23 Revenue | | |
| Brokerage commission | 231,978,370 | 153,864,398 |
| Dhaka Stock Exchange (DSE) | 226,469,282 | 150,233,715 |
| Chittagong Stock Exchange (CSE) | 5,509,088 | 3,630,683 |
| Gain on sale of shares | 3,255,277 | 8,398,896 |
| Realized gain on share | 9,550,975 | 5,843,409 |
| Unrealized (loss)/gain on share | (6,295,699) | 2,555,487 |
| | 235,233,647 | 162,263,294 |

| | 2013 Taka | 2012 Taka |
|---------------------------|--------------------------|--------------------------|
| 24 Direct expenses | | |
| Howla- DSE | 2,964,528 | 1,928,208 |
| Howla- CSE | 103,548 | 64,948 |
| Laga- DSE | 14,286,900 | 8,957,944 |
| Laga- CSE | 307,019 | 184,759 |
| | <u>17,661,995</u> | <u>11,135,859</u> |

This represents Hawla and Laga charges paid to DSE and CSE for the transactions of traded securities. Hawla is paid based on number of transactions and Laga is paid based on turnover at applicable rate prescribed by DSE and CSE.

| | | |
|--------------------------------------|---------------------------|---------------------------|
| 25 Operating expenses | | |
| Administrative expenses (Note-25.1) | 159,608,580 | 126,862,793 |
| Other Operating expenses (Note-25.2) | 21,672,789 | 18,612,485 |
| | <u>181,281,369</u> | <u>145,475,278</u> |

| | | |
|--|---------------------------|---------------------------|
| 25.1 Administrative expenses | | |
| Salary and allowances | 91,577,149 | 70,223,608 |
| Office rent and service charges | 19,191,600 | 18,249,262 |
| Depreciation (Note-5) | 17,777,691 | 16,714,784 |
| Internet bills | 10,770,005 | 7,085,478 |
| Outsourcing expenses | 6,741,866 | 5,821,318 |
| CDBL charges | 6,362,800 | 3,702,672 |
| Depreciation of intangible assets (Note-6) | 3,345,307 | 1,853,770 |
| Trading expense | 1,880,496 | 1,459,266 |
| Insurance | 1,109,350 | 971,049 |
| Networking expenses | 770,468 | 731,544 |
| DSE, CSE and SEC charges | 45,743 | 48,041 |
| Monthly recurring charges-CSE | - | 2,000 |
| Loss on sale of PPE | 36,106 | - |
| | <u>159,608,580</u> | <u>126,860,793</u> |

| | | |
|--------------------------------------|--------------------------|--------------------------|
| 25.2 Other operating expenses | | |
| Utility expenses | 3,037,959 | 2,318,983 |
| Entertainment | 2,267,602 | 2,170,262 |
| Office maintenance | 1,874,826 | 2,019,259 |
| Telephone and mobile bills | 2,046,045 | 1,751,562 |
| Printing and stationery | 1,625,890 | 1,542,951 |
| Business promotional expenses | 1,757,812 | 1,484,746 |
| Advertisement | 2,028,628 | 1,212,382 |
| Fuel and lubricants | 900,811 | 1,014,548 |
| Service charge - BRAC Bank Limited. | 374,146 | 1,047,683 |
| Board meetings' fee | 615,000 | 525,000 |
| Travel and conveyance | 1,418,366 | 447,528 |
| Postage and courier | 324,794 | 427,986 |
| Professional fee | 152,480 | 391,884 |
| Training and development | 772,175 | 343,202 |
| Repairs and maintenance | 496,390 | 304,770 |
| Fees and subscriptions | 166,400 | 146,154 |
| News paper, books and periodicals | 120,219 | 112,903 |
| Audit Fee | 115,500 | 114,500 |
| Photocopy and photograph | 4,658 | 17,027 |
| Reward & recognition | 300,000 | - |
| Other personal expenses | 1,273,089 | 1,219,158 |
| | <u>21,672,789</u> | <u>18,612,485</u> |

| | 2013 Taka | 2012 Taka |
|--|-------------------|-------------------|
| 26 Other income | | |
| Interest income (Note-26.1) | 49,360,384 | 35,506,711 |
| BO account maintenance fees | 13,587,500 | 11,429,500 |
| Advisory income | 2,060,279 | 4,690,362 |
| BO account opening fees | 4,680,400 | 1,770,500 |
| Dividend income | 354,901 | 835,560 |
| Sale of BO Form | 900,000 | 426,500 |
| Annual account maintenance fee | 8,218,650 | |
| Others | 1,436,196 | 5,386,137 |
| | 80,598,310 | 60,045,270 |
| <u>Less: BO account maintenance</u> | <u>12,638,832</u> | <u>12,580,168</u> |
| | 67,959,477 | 47,465,102 |
| 26.1 Interest | | |
| Income from Bank interest | 34,657,772 | 26,018,890 |
| Income from Margin loan | 13,594,523 | 9,487,822 |
| Income from Zero Coupon Bond | 1,108,089 | - |
| | 49,360,384 | 35,506,711 |
| 27 Finance cost | | |
| Bank guarantee commission | 2,117,182 | 3,296,667 |
| Bank charges and commission | 515,002 | 154,235 |
| | 2,632,184 | 3,450,902 |
| 28 Income tax | | |
| Provision for tax on brokerage commission | 36,541,594 | 22,841,799 |
| Provision for tax other than brokerage commission | 30,311,410 | 17,807,337 |
| | 66,853,004 | 40,649,135 |
| 29 Contingent Liabilities and Capital Expenditure Commitments | | |
| i) Claims against the company not acknowledged as debt | - | - |
| ii) Capital expenditure commitments | - | - |
| a. Contracted but not provided for | 13,000,000 | - |
| b. Approved but not contracted for | - | - |
| | 13,000,000 | - |
| 30 Number of employees engaged for drawing remuneration | | |
| i) Up to Taka 3000 per month | - | - |
| ii) Above Taka 3000 per month | 111 | 102 |
| | 111 | 102 |

INDEPENDENT AUDITOR'S REPORT

To the shareholders of

bKash Limited

We have audited the accompanying financial statements of bKash Limited, which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of bKash Limited as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs).

We also report that:

- 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 there of;
- 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 Company's statement of financial position and statement of comprehensive income along with the annexed notes 1 to 29 dealt with by the report are in agreement with the books of account.

SD

Dhaka

Chartered Accountants

bKash Limited
Statement of Financial Position

As at 31 December 2013

| | Notes | 2013 Taka | 2012 Taka |
|---|-------|----------------------|----------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment - at cost | | | |
| less accumulated depreciation | 6 | 155,887,290 | 86,120,455 |
| Intangible assets - at cost less accumulated depreciation | 7 | 37,148,337 | 40,784,989 |
| Deferred tax assets | 8 | 158,214,850 | 55,062,532 |
| | | 351,250,478 | 181,967,977 |
| Current assets | | | |
| Advances, deposits and prepayments | 9 | 130,830,380 | 50,379,723 |
| Other receivables | 10 | 66,190,530 | 9,693,904 |
| Cash and cash equivalents | 11 | 4,909,402,841 | 1,270,560,574 |
| | | 5,106,423,751 | 1,330,634,201 |
| Total assets | | 5,457,674,229 | 1,512,602,178 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 12 | 38,194,900 | 28,450,000 |
| Share premium | | 1,286,205,568 | 366,765,000 |
| Share money deposit | 13 | 505,162 | 505,130 |
| Retained earnings | | (345,703,644) | (140,111,256) |
| Total equity | | 979,201,986 | 255,608,874 |
| Non-current liabilities | | | |
| Deferred liabilities | 14 | 7,145,802 | 7,145,802 |
| Current liabilities | | | |
| Customer deposit | 15 | 2,376,523,727 | 375,381,075 |
| Other deposit | 16 | 1,623,051,541 | 598,588,524 |
| Accrued expenses | 17 | 242,666,561 | 42,623,300 |
| Trade and other payables | 18 | 185,700,768 | 77,625,699 |
| Grant funds | 19 | 21,553,824 | 152,030,808 |
| Provision for income tax | 20 | 21,830,020 | 3,598,095 |
| Total current liabilities | | 4,471,326,441 | 1,249,847,501 |
| Total liabilities | | 4,478,472,243 | 1,256,993,303 |
| Total equity and liabilities | | 5,457,674,229 | 1,512,602,178 |

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

SD
Chief Executive Officer

SD
Director

SD
Chairman

AUDITORS' REPORT TO THE SHAREHOLDERS

See annexed report of date

Dhaka

SD
Chartered Accountants

bKash Limited

Statement of Comprehensive Income

For the year ended 31 December 2013

| | Notes | 2013 Taka | 2012 Taka |
|--|-------|----------------------|----------------------|
| Revenue | 21 | 3,171,645,151 | 381,613,233 |
| Cost of service | 22 | (2,819,110,724) | (347,406,278) |
| Gross profit/(loss) | | 352,534,427 | 34,206,955 |
| Other income | 23 | 340,723,584 | 44,305,735 |
| Donor grants | 19 | 132,246,591 | 292,364,323 |
| Operating and administrative expenses | 24 | (983,770,793) | (194,230,844) |
| Marketing and customer acquisition expenses | 25 | (132,246,591) | (292,364,323) |
| Profit/(loss) before tax for the year | | (290,512,782) | (115,718,154) |
| Income tax expenses: | | | |
| Current | | (18,231,925) | (3,591,416) |
| Deferred tax income/expenses | | 103,152,318 | 36,038,866 |
| Profit for the year | | (205,592,388) | (83,270,705) |

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

SD
Chief Executive Officer

SD
Director

SD
Chairman

AUDITORS' REPORT TO THE SHAREHOLDERS

See annexed report of date

Dhaka

SD
Chartered Accountants

bKash Limited

Statement of Cash Flows

For the year ended 31 December 2013

| | Notes | 2013 Taka | 2012 Taka |
|--|-------|----------------------|----------------------|
| A. Cash flows from operating activities | | | |
| Cash receipt from customer and other income | | 3,644,615,326 | 718,283,292 |
| Cash paid to suppliers and employees | | (3,727,324,149) | (796,876,962) |
| Net cash from operating activities | | (82,708,823) | (78,593,670) |
| B. Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 6 | (95,309,348) | (41,436,139) |
| Purchase of intangible assets | 7 | (7,453,748) | (11,010,388) |
| Net cash used in investing activities | | (102,763,096) | (52,446,527) |
| C. Cash flows from financing activities | | | |
| Proceeds from issue of share capital | | 9,744,900 | 24,950,000 |
| Proceeds from share premium | | 919,440,568 | 366,765,000 |
| Proceeds from shareholders as share money deposit | | 32 | (121,722,602) |
| Proceeds from customer deposit | | 2,001,142,652 | 332,010,076 |
| Proceeds from other deposit | | 1,024,463,017 | 598,588,524 |
| Donor grant received including interest | | (130,476,984) | 119,162,011 |
| Net cash flows from financing activities | | 3,824,314,185 | 1,319,753,009 |
| Net increase in cash and cash equivalents (A+B+C) | | 3,638,842,266 | 1,188,712,812 |
| Cash and cash equivalents at beginning of year | 11 | 1,270,560,574 | 81,847,762 |
| Cash and cash equivalents at end of the year | | 4,909,402,841 | 1,270,560,574 |

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

SD
Chief Executive Officer

SD
Director

SD
Chairman

AUDITORS' REPORT TO THE SHAREHOLDERS

See annexed report of date

Dhaka

SD
Chartered Accountants

bKash Limited

Statement of Changes in Equity

For the year ended 31 December 2013

Amount in Taka

| Particulars | Share capital | Share money deposit | Share premium | Retained earnings | Total |
|-------------------------------------|-------------------|---------------------|----------------------|----------------------|--------------------|
| Balance at 31 December 2011 | 3,500,000 | 122,227,732 | - | (56,840,551) | 68,887,181 |
| Issue of share capital | 24,950,000 | - | - | - | 24,950,000 |
| Share premium | - | - | 366,765,000 | - | 366,765,000 |
| Share money deposits | - | (121,722,602) | - | - | (121,722,602) |
| Net profit/(loss) for the year 2012 | - | - | - | (83,270,705) | (83,270,705) |
| Balance at 31 December 2012 | 28,450,000 | 505,130 | 366,765,000 | (140,111,256) | 255,608,874 |
| Issue of share capital | 9,744,900 | - | - | - | 9,744,900 |
| Share premium | - | - | 919,440,568 | - | 919,440,568 |
| Share money deposits | - | 32 | - | - | 32 |
| Net profit/(loss) for the year 2013 | - | - | - | (205,592,388) | (205,592,388) |
| Balance at 31 December 2013 | 38,194,900 | 505,162 | 1,286,205,568 | (345,703,644) | 979,201,986 |

bKash Limited
Notes to the Financial Statements
For the year ended 31 December 2013

1.0 Background and legal status

bKash Limited (hereinafter referred to as "the Company"), a subsidiary of BRAC Bank, started as a joint venture between BRAC Bank Limited, Bangladesh and Money in Motion LLC, USA. Subsequently in April 2013 International Finance Corporation (IFC), a member of the World Bank Group became an equity partner of the company. It has incorporated as a private company limited by shares under the Companies Act, 1994 on 1 March 2010 having its registered office in Dhaka. The ultimate objective of bKash 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 to achieve broader financial inclusion by providing services that are convenient, affordable and reliable.

2.0 Nature of business

bKash provides financial services via mobile phones to the customers under a payment systems operator license approved by the Bangladesh Bank. The bKash mobile wallet will be the customer account into which money can be deposited and out of which money can be withdrawn or used for various services.

3.0 Going concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The accompanying financial statements do not include any adjustments, should the company be unable to continue as a going concern.

4.0 Basis of preparation

The financial statements of the Company have been prepared on going concern basis under the historical cost convention in accordance with Bangladesh Financial Reporting Standards (BFRSs) and Bangladesh Accounting Standards (BASs), the Companies Act, 1994 and other applicable laws and regulations.

5.0 Summary of significant accounting policies

5.1 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. Fixed assets 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 the statement of comprehensive income during the financial period in which they are incurred.

During the year, an independent Firm conducted physical verification of fixed assets and based on the outcome of the report certain assets have been reclassified and reflected in the accompanying financial statements.

5.2 Depreciation of property, plant and equipment (PPE)

Depreciation is charged on straight-line method. In case of acquisition of fixed assets, depreciation has been charged from the following month of acquisition, whereas no depreciation on assets disposed of has been charged from the month of disposal.

Annual depreciation rates applicable to the principal categories are as follows:

| Categories of assets: | Rate of depreciation |
|------------------------------|-----------------------------|
| Office furniture | 10% |
| Office equipment | 20% |
| IT equipment | 20% |
| Motor vehicles | 20% |

5.3 Intangible assets

Computer software acquired by the company which have finite useful life are measured at cost less accumulated depreciation. Computer software are amortized at 20% per period on a straight line method over their estimated useful lives.

Depreciation on additions to software is charged from the month following the month of acquisition while no depreciation is charged in the month of retirement/disposal.

5.4 Taxation

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

(a) Current tax

Current tax is the expected minimum tax payable on the total gross fees or charges receipts from rendering services, using tax rates enacted or substantively enacted at the date of statement of financial position, and any adjustment to tax payable in respect of previous years.

(b) Deferred tax

Deferred tax is recognized in compliance with Bangladesh Accounting Standard 12 Income Taxes providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the date of statement of financial position. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at each date of statement of financial position and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

5.5 Functional and presentation currency

These financial statements are presented in Bangladesh Taka, which is the Bank's functional currency. Except as indicated figures have been rounded off to the nearest Taka.

5.6 Revenue recognition

Revenues are measured at fair value of the consideration received or receivable, net of sales related Taxes and VAT. Revenues are reported gross with separate recording of expenses to agents or partners of services. Revenues comprise service fee income on Cash out, P2P transactions, Merchant and Air time transactions.

5.7 Donor grant

The Gates Foundation funded "bKash Mobile Money Platform project" being implemented by Shore Bank International (SBI) Ltd. to support bKash in the development of a mobile technology platform to increase access to a broader range of financial services for low income people of Bangladesh and promote sustainable micro-savings to achieve the ultimate goal of financial inclusion. SBI allocated USD 6,000,000 sub-grants under the Gates Foundation grant. bKash has received the entire USD 6,000,000.

5.8 General

(i) Accounting policies, schedules and explanatory notes form an integral part of the financial statements.

(ii) Previous year's figures have been rearranged, whenever considered necessary to conform to the current year's presentation.

| 6 Property, plant and equipment - at cost less accumulated depreciation | | | | | | | | |
|--|------------------------|--------------------------|------------------------|------------------|------------------------|-------------------------|------------------------|-------------------------------|
| (Figures in Taka) | | | | | | | | |
| Particulars | Cost | | | Rate (%) of dep. | Depreciation | | | Written down value 31.12.2013 |
| | Balance as on 01.01.13 | Addition during the year | Balance as on 31.12.13 | | Balance as on 01.01.13 | Charged during the year | Balance as on 31.12.13 | |
| IT equipments | 93,111,999 | 50,678,499 | 143,790,498 | 20 | 19,266,659 | 21,469,412 | 40,736,071 | 103,054,426 |
| Motor vehicles | 2,000,000 | - | 2,000,000 | 20 | 1,000,000 | 400,000 | 1,400,000 | 600,000 |
| Office furniture | 8,730,924 | 32,129,387 | 40,860,311 | 10 | 303,652 | 1,823,648 | 2,127,300 | 38,733,011 |
| Office equipment | 3,081,373 | 12,501,462 | 15,582,835 | 20 | 233,530 | 1,849,451 | 2,082,982 | 13,499,853 |
| Total 2013 | 106,924,296 | 95,309,348 | 202,233,644 | | 20,803,841 | 25,542,512 | 46,346,353 | 155,887,290 |
| Total 2012 | 65,488,157 | 41,436,139 | 106,924,296 | | 5,060,037 | 15,743,804 | 20,803,841 | 86,120,455 |

| | 2013 | 2012 |
|--|----------------------|----------------------|
| | Taka | Taka |
| 7 Intangible assets - at cost less accumulated depreciation | | |
| Opening balance | 51,732,274 | 40,721,886 |
| Add: Addition during the year | 7,453,748 | 11,010,388 |
| | 59,186,022 | 51,732,274 |
| Less: Accumulated depreciation | | |
| Opening balance | 10,947,285 | 1,827,019 |
| Add: Depreciation charged during the year | 11,090,400 | 9,120,266 |
| | 22,037,685 | 10,947,285 |
| | 37,148,337 | 40,784,989 |
| 8 Deferred tax assets | | |
| Carrying amount of fixed assets - book value | 155,887,290 | 126,905,444 |
| Carrying amount of fixed assets - tax base | 143,705,600 | 91,045,019 |
| Taxable temporary difference | 12,181,691 | 35,860,426 |
| Less:- Deductible temporary difference for unused tax loss | (434,087,958) | (182,693,845) |
| Net difference | (421,906,267) | (146,833,420) |
| Applicable tax rates | 37.5% | 37.5% |
| Deferred tax assets | 158,214,850 | 55,062,532 |
| 9 Advances, deposits and prepayments | | |
| Advance tax | 43,066,667 | 15,107,403 |
| Advances | 47,278,149 | 25,099,451 |
| VAT current account | 12,671,623 | 439,364 |
| Security deposits | 5,281,700 | 7,435,200 |
| Sundry deposits | - | 13,140 |
| Prepaid expenses | 3,361,604 | 2,285,165 |
| Advance against Airtime purchase | 19,170,638 | - |
| | 130,830,380 | 50,379,723 |

Advance against Airtime purchase represents the unused amount of purchased Mobile Airtime from respective Mobile Network Operators (MNOs) for which service has not been provided to bKash customers.

| | | 2013 | 2012 | | |
|----|---|----------------------|----------------------|--------------------------|--------------------------|
| | | Taka | Taka | | |
| 10 | Other receivables | | | | |
| | Receivable from Fundamo | 754,516 | 754,516 | | |
| | Receivable against deposit | 63,000,833 | 8,331,597 | | |
| | Receivable from others | 2,435,180 | 607,791 | | |
| | | 66,190,530 | 9,693,904 | | |
| 11 | Cash and cash equivalents | | | | |
| | Cash in hand | 539,269 | 306,995 | | |
| | Cash in digital wallet | 530,268 | 667,615 | | |
| | Fixed deposits | 4,370,000,000 | 805,600,000 | | |
| | | 4,371,069,537 | 806,574,610 | | |
| | Balance with bank | | | | |
| | BRAC Bank Limited (CD A/C 1501201806446001) | 12,385,923 | 6,590,454 | | |
| | BRAC Bank Limited (CD A/C 1501201806446003) | 524,307,943 | 455,743,842 | | |
| | BRAC Bank Limited (CD A/C 1501201806446004) | 482,361 | 432,470 | | |
| | Islami Bank Bank Ltd (CD A/C 20503420100026004) | 1,157,077 | 485,906 | | |
| | BRAC Bank Limited (CD A/C 1501201806446002) | - | 733,292 | | |
| | | 538,333,304 | 463,985,964 | | |
| | | 4,909,402,841 | 1,270,560,574 | | |
| 12 | Share capital | | | | |
| a) | Authorized capital | 500,000,000 | 500,000,000 | | |
| | 5,000,000 ordinary shares of Taka 100 each | | | | |
| b) | Issued, subscribed, called and paid up capital | | | | |
| | 381,949 ordinary shares of Taka 100 each fully called and paid up in cash | 38,194,900 | 28,450,000 | | |
| c) | Composition of shareholding | | | | |
| | Name of the shareholders | No. of shares | % of share | Face value (Taka) | Face value (Taka) |
| | BRAC Bank Limited | 194,800 | 51.00% | 19,480,000 | 14,509,500 |
| | Money In Motion (MIM) LLC | 139,405 | 36.50% | 13,940,500 | 13,940,500 |
| | International Finance Corporation | 47,744 | 12.50% | 4,774,400 | - |
| | | 381,949 | 100% | 38,194,900 | 28,450,000 |

International Finance Corporation was issued common shares as per the terms and conditions of shareholders agreement dated 7th April 2013.

| | 2013 | 2012 |
|---|-----------------------|-----------------------|
| | Taka | Taka |
| 13 Share Money Deposit | | |
| Opening balance | 392,220,130 | 122,227,732 |
| Addition during the year | 929,185,500 | 269,992,398 |
| | <u>1,321,405,630</u> | <u>392,220,130</u> |
| Less: Share issued during the year and transferred to - | | |
| Share capital | 34,694,900 | 24,950,000 |
| Share premium | 1,286,205,568 | 366,765,000 |
| | <u>505,162</u> | <u>505,130</u> |

The above balance represents Share Money Deposit receipt from Money in Motion (MIM) LLC, USA and International Finance Corporation (IFC).

| | | |
|--|-------------------------|-------------------------|
| 14 Deferred liabilities | | |
| <i>Amount paid by Money In Motion (MIM) for:</i> | | |
| Solution and requirements workshop | 2,514,308 | 2,514,308 |
| Consultant (signal point) | 4,631,494 | 4,631,494 |
| | <u>7,145,802</u> | <u>7,145,802</u> |

| | | |
|-------------------------------|-----------------------------|---------------------------|
| 15 Customer deposit | | |
| Opening balance | 375,381,075 | 43,370,999 |
| Add: Addition during the year | 2,001,142,652 | 332,010,076 |
| | <u>2,376,523,727</u> | <u>375,381,075</u> |

Customer deposit represents the balance maintained by customers in their wallets.

| | | |
|--------------------------|-----------------------------|---------------------------|
| 16 Other deposits | | |
| Distributors and agents | 1,586,204,598 | 595,006,000 |
| Merchant deposits | 22,707,489 | 2,189,060 |
| Deposit in transit | 14,139,454 | 1,393,464 |
| | <u>1,623,051,541</u> | <u>598,588,524</u> |

| | | |
|--|------------|------------|
| 17 Accrued expenses | | |
| Distributors commission | 86,958,091 | 26,637,604 |
| Mobile network operating service charges | 27,953,055 | 7,584,240 |
| Audit fee including VAT | 281,750 | 190,000 |
| Utility bill | 417,000 | 200,000 |
| Professional and consultancy fees | 580,750 | 330,000 |
| Incentive for customer acquisition | - | 7,681,456 |
| Advertisement Electric Media | 25,305,675 | - |
| Advertisement Print Media | 804,770 | - |
| Advertisement Others | 7,364,205 | - |
| Customer Acquisition Cost | 1,003,530 | - |

| | | 2013 Taka | 2012 Taka |
|---|--------------------------------------|---------------------|-------------------|
| | Printing & Material Development Cost | 52,009,120 | - |
| | Alternative Channel Market | 9,122,849 | - |
| | Business Promotion Expenses | 1,816,338 | - |
| | Performance bonus and legal fees | 29,049,428 | - |
| | | 242,666,561 | 42,623,300 |
| 18 | Trade and other payables | | |
| | Payable to BRAC Bank | 7,555,246 | 5,454,451 |
| | Payable to Fundamo | 44,336,873 | 20,219,398 |
| | VAT payable | 60,640,129 | 19,144,145 |
| | Tax payable | 27,802,770 | 12,055,861 |
| | Payable to Techvalley | 1,108,131 | 1,108,131 |
| | Security deposit | 14,039,264 | 9,493,222 |
| | Board Attendance fees | 783,238 | 158,184 |
| | Payable to BRAC Bank (ATM) | 43,364 | 561,520 |
| | Payable to Flora Limited | 7,579,981 | - |
| | Payable to IECL Pvt. Ltd | 782,799 | - |
| | Payable to Global Brand Pvt. Ltd | 27,370 | - |
| | Payable to Computer Services | 3,360,000 | - |
| | Payable to Rangs Electronics Ltd | 272,584 | - |
| | Payable to Atrsign Pvt. Ltd. | 11,668 | - |
| | Payable to Computer Source | 598,960 | - |
| | Payable to Atelier Robin Architects | 7,845,967 | - |
| | Unearned revenue | Note 18.1 843,943 | - |
| | Payable to others | Note 18.2 8,068,483 | 9,430,787 |
| | | 185,700,768 | 77,625,699 |
| 18.1 | Unearned revenue | | |
| | Robi airtime | 793,883 | - |
| | Airtel Top Up | 50,060 | - |
| | | 843,943 | - |
| This represents the unearned commission on unused portion of purchased Mobile Airtime for which service has not been provided to bKash customers. | | | |
| 18.2 | Payable to others | | |
| | Market express | - | 3,909,430 |
| | Techvalley | - | 1,555,092 |
| | M. S. Enterprise | - | 1,285,700 |
| | Helpage | - | 454,291 |
| | Redhot Communications | - | 287,500 |
| | Communica | - | 530,092 |
| | Dristy Communication Limited | - | 287,500 |
| | Arun Gore | 434,809 | 434,809 |

| | | 2013 Taka | 2012 Taka |
|----|--|-----------------------|--------------------|
| | Payable to agents, Tri Hologram, UCBL etc. | 128,220 | 686,373 |
| | BRAC Bank Limited - ATM Dispute | 26,000 | - |
| | Disbursement Merchant | 38 | - |
| | Incentive to agency, agent and distributor | 4,704,032 | - |
| | Payable to SBI | 1,775,384 | - |
| | Payable to Distributors | 1,000,000 | - |
| | | 8,068,483 | 9,430,787 |
| 19 | Grant funds | | |
| | Opening balance | 152,030,808 | 32,868,797 |
| | Grants received during the year | - | 395,683,350 |
| | Interest on grant funds | 1,769,607 | 15,842,984 |
| | Grant funds utilized during the period | Note 25 (132,246,591) | (292,364,323) |
| | | 21,553,824 | 152,030,808 |
| 20 | Provision for taxation | | |
| | Opening balance | 3,598,095 | 6,679 |
| | Additions for the year | 18,231,925 | 3,591,416 |
| | | 21,830,020 | 3,598,095 |
| 21 | Revenue | | |
| | Service fee on cash-outs | 3,061,221,642 | 375,723,256 |
| | Service fee on send money (P2P) | 95,510,050 | 4,989,211 |
| | Service fee on cash out ATM | 2,805,483 | 580,360 |
| | Service fee on collection | 3,520,746 | 212,777 |
| | Service fee on disbursement | 808,412 | 107,629 |
| | Commission on Airtime | 7,778,818 | - |
| | | 3,171,645,151 | 381,613,233 |
| 22 | Cost of service | | |
| | Agent commission on cash in | 935,021,241 | 111,230,335 |
| | Agent commission on cash out | 906,334,911 | 122,144,267 |
| | Distributor commission on cash in | 383,875,235 | 45,722,150 |
| | Distributor commission on cash out | 372,138,701 | 41,533,191 |
| | Mobile network operating service charges (MNO) | 221,431,494 | 26,724,835 |
| | ATM cash out charge | 309,143 | 51,500 |
| | | 2,819,110,724 | 347,406,278 |
| 23 | Other income | | |
| | Interest income from Deposits | 322,187,096 | 43,492,044 |
| | Interest on bank account | 6,687,971 | 755,168 |
| | Income from sale of scrap | 11,828,358 | 24,810 |
| | Commission income from own agent | 20,159 | 33,713 |
| | | 340,723,584 | 44,305,735 |

| | | | 2013 | 2012 |
|------|---|-----------|-------------|-------------|
| | | | Taka | Taka |
| 24 | Operating and administrative expenses | | | |
| | Salary and allowances | Note 24.1 | 238,420,312 | 79,435,514 |
| | Festival bonus | | 19,031,720 | 12,018,982 |
| | Professional and legal fees | Note 24.2 | 12,791,572 | 5,929,796 |
| | Audit fee | | 405,094 | 150,000 |
| | Motor car expenses | | 20,687,930 | 9,282,173 |
| | Communication expenses | Note 24.3 | 10,202,605 | 2,736,089 |
| | Miscellaneous expenses | | 539,417 | 389,804 |
| | Repair and maintenance | Note 24.4 | 57,668,762 | 12,810,359 |
| | Printing and stationery | Note 24.5 | 3,356,592 | 1,323,856 |
| | Insurance expenses | | 5,959,260 | 189,430 |
| | Travelling expenses | Note 24.6 | 9,280,259 | 5,666,815 |
| | Other operating and administrative expenses | Note 24.7 | 92,417,023 | 39,433,956 |
| | Marketing and customer acquisition expenses | Note 24.8 | 476,377,335 | - |
| | Depreciation-tangible assets | Note 6 | 25,542,512 | 15,743,804 |
| | Depreciation expenses-intangible assets | Note 7 | 11,090,400 | 9,120,266 |
| | | | 983,770,793 | 194,230,844 |
| 24.1 | Salary and allowances | | | |
| | Basic salary | | 139,821,007 | 58,748,675 |
| | House allowance | | 36,236,983 | 13,002,018 |
| | Medical allowance | | 7,100,143 | 2,445,286 |
| | Leave fare assistance | | 5,324,249 | 2,750,495 |
| | Consultancy fee | | - | 2,049,460 |
| | Overtime | | - | 416,180 |
| | Salary and allowance - contract | | 153,866 | 23,400 |
| | Performance bonus | | 43,841,614 | |
| | Conveyance and other allowance | | 3,964,830 | - |
| | Arrear salary | | 337,558 | - |
| | Employee compensation | | 1,640,062 | - |
| | | | 238,420,312 | 79,435,514 |
| 24.2 | Professional and legal fees | | | |
| | Professional and consultancy fees | | 12,720,969 | 5,820,002 |
| | Incorporation expense | | 70,603 | 109,794 |
| | | | 12,791,572 | 5,929,796 |
| 24.3 | Communication expenses | | | |
| | Telephone and mobile expenses | | 4,606,429 | 1,515,495 |
| | Courier charges | | 3,146,568 | 455,643 |
| | Lease line rent | | 107,500 | 100,000 |
| | Internet bill | | 2,342,108 | 664,951 |
| | | | 10,202,605 | 2,736,089 |

| | 2013 Taka | 2012 Taka |
|---|--------------------|-------------------|
| 24.4 Repair and maintenance | | |
| Repair and renovation | 4,086,660 | 193,324 |
| Maintenance of software | 53,582,102 | 12,617,035 |
| | 57,668,762 | 12,810,359 |
| 24.5 Printing and stationery | | |
| Printing | 838,993 | 439,532 |
| Stationery | 2,517,599 | 884,324 |
| | 3,356,592 | 1,323,856 |
| 24.6 Travelling expenses | | |
| Travelling expenses overseas | 5,969,693 | 5,012,216 |
| Travelling expenses local | 3,310,566 | 654,599 |
| | 9,280,259 | 5,666,815 |
| 24.7 Other operating and administrative expenses | | |
| Office rent | 31,456,300 | 14,542,720 |
| Entertainment | 3,118,627 | 1,703,549 |
| Office maintenance | 5,242,396 | 2,555,272 |
| Conveyance charges | 10,982,842 | 1,896,645 |
| Utility bill | 4,836,473 | 2,131,883 |
| Board meeting attendance fee | 1,923,702 | 1,589,400 |
| Training and workshop expenses | 2,894,653 | 386,472 |
| Security charge | 2,304,946 | 828,338 |
| Business development expenses | 10,839,863 | 291,770 |
| Bank charge | 998,510 | 198,778 |
| Revenue assets | 2,913,141 | 289,790 |
| Newspaper, magazine | 114,078 | 73,823 |
| Call centre cost | 12,013,638 | 12,565,941 |
| Interest expenses on agents and customer deposits | - | 94,432 |
| Advertisement and publicity | - | 273,643 |
| Subscription | - | 11,500 |
| Special Incentive to Agents | 2,777,854 | - |
| | 92,417,023 | 39,433,956 |
| 24.8 Marketing and customer acquisition expenses | | |
| Incentive | 137,192,761 | - |
| Customer acquisition cost | 11,761,981 | - |
| Printing & material development cost | 139,651,674 | - |
| Alternative channel marketing | 40,379,398 | - |
| Advertisement | 140,689,756 | - |
| Corporate event management expenses | 3,499,682 | - |
| Agent training cost | 2,838,883 | - |
| Market research | 42,000 | - |
| Market strategy | 321,200 | - |
| | 476,377,335 | - |

| | | 2013 | 2012 |
|----|---|--------------------|--------------------|
| | | Taka | Taka |
| 25 | Marketing and customer acquisition expenses | | |
| | Market research | 476,015 | 243,925 |
| | Alternative channel marketing expenses | 8,226,170 | 25,320,333 |
| | Advertisement | 50,487,488 | 142,321,970 |
| | Printing and material development cost | 26,768,519 | 65,371,133 |
| | Salary and allowance | 4,428,396 | 12,044,237 |
| | Agent training cost | 4,985,636 | 8,121,984 |
| | Event management expenses | 1,504,334 | 7,631,126 |
| | Other expenses | 4,630,916 | 5,222,605 |
| | Incentive for customer acquisition | 30,739,117 | 25,624,849 |
| | Agent hand set cost | - | 462,161 |
| | | 132,246,591 | 292,364,323 |

26 **Particulars of employees**

The total number of permanent employees of the company as at 31 December 2013 was 296 (31 December 2012: 241)

27 **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 Disclosures, these are detailed below:

| Name of related party | Relationship | Nature of transactions | Transactions value during the year | | Outstanding balance as at 31 December | |
|---------------------------|--------------|------------------------|------------------------------------|--------------|---------------------------------------|--------------|
| | | | 2013 Taka | 2012 Taka | 2013 Taka | 2012 Taka |
| BRAC Bank Limited | Shareholder | Reimbursable expenses | 25,565,805 | 59,277,737 | 7,555,246 | 5,454,451 |
| Money in Motion LLC (USA) | Shareholder | Reimbursable expenses | - | - | 7,145,802 | 7,145,802 |
| Directors' emoluments | | | - | - | - | - |

28 **Capital expenditure commitments:**

| | | |
|---|-------------|-----|
| a) Contracted and incurred but not provided for in the accounts | 161,863,471 | Nil |
| b) Approved by the Board but not contracted for | Nil | Nil |

29 **Contingent liabilities**

| | | |
|---|-----|-----|
| a) Contingent liability | Nil | Nil |
| b) Claims against the company not acknowledged as debts | Nil | Nil |

SD
Chief Executive Officer

SD
Director

SD
Chairman

BRAC SAAJAN EXCHANGE LIMITED
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BRAC SAAJAN EXCHANGE LIMITED

We have audited the financial statements of BRAC SAAJAN EXCHANGE LIMITED for the year ended 31 December 2013 set out on pages 5 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 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.

Emphasis of matter

During 2013, mainstream banks in the UK have either refused to open new bank accounts or given notices to close down existing bank accounts for money exchange businesses. Although the company has not received any such notices yet from its banking partners, it is currently looking at its options should such a situation arise in the future. If the banking partners choose to close the bank accounts of the company, it will seriously undermine the company's ability to operate in the country.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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.

Mr Omar Siddiqui

(Senior Statutory Auditor)

for and on behalf of

Chartered Accountants
Statutory Auditor

21 February 2014

SD

Reddy Siddiqui & Kabani
183-189 The Vale
Acton
London
Great Britain
W3 7RW

BRAC SAAJAN EXCHANGE LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2013

| | Notes | Period ended 31-Dec-13 £ | Period ended 31-Dec-13 Tk. |
|--|-------|--------------------------------|----------------------------------|
| Fixed assets | | | |
| Tangible assets | 8 | 99,464 | 12,797,973 |
| Investments | 9 | 87,740 | 11,289,453 |
| Current assets | | | |
| Debtors | 11 | 969,809 | 124,784,742 |
| Cash at bank and in hand | 10 | 1,174,050 | 151,064,309 |
| | | <u>2,143,859</u> | <u>275,849,051</u> |
| Creditors: amounts falling due within one year | 12 | <u>(1,512,757)</u> | <u>(194,645,536)</u> |
| Net current assets/(liabilities) | | 631,102 | 81,203,516 |
| Total assets less current liabilities | | <u>818,306</u> | <u>105,290,942</u> |
| Creditors: amounts falling due after more than one year | | - | - |
| | | <u><u>818,306</u></u> | <u><u>105,290,942</u></u> |
| Capital and reserves | | | |
| Called up share capital | 13 | 333,333 | 42,889,757 |
| Share money deposit | 14 | 208,383 | 26,812,516 |
| Profit and loss account | 15 | 276,590 | 35,588,669 |
| Shareholders' funds | 16 | <u><u>818,306</u></u> | <u><u>105,290,942</u></u> |

Approved by the Board and authorised for issue on 21 February 2014

SD

.....

Mr Abdus Salam

Director

Company Registration No. 06469886

BRAC SAAJAN EXCHANGE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31 DECEMBER 2013

| | Notes | Period ended 31-Dec-13 £ | Period ended 31-Dec-13 Tk. |
|---|-------|--------------------------------|----------------------------------|
| Turnover | 2 | 1,175,262 | 146,680,748 |
| Cost of sales | | (39,902) | (4,980,043) |
| Gross profit | | 1,135,360 | 141,700,705 |
| Administrative expenses | 3 | (971,166) | (121,208,169) |
| Other Operating Income | | 81,586 | 10,182,492 |
| Operating profit/loss | 4 | 245,780 | 30,675,028 |
| Other interest receivable & similar income | 5 | 15,028 | 1,875,597 |
| Interest payable & similar charges | 6 | - | - |
| Profit/(loss) on ordinary activities before taxation | | 260,808 | 32,550,625 |
| Tax on profit/(loss) on ordinary activities | 7 | (60,636) | (7,567,788) |
| Profit/(Loss) for the period | 14 | 200,172 | 24,982,837 |
| Exchange difference on traslation | | | 773,174 |
| Total comprehensive income for the period | | 200,172 | 25,756,011 |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

BRAC SAAJAN EXCHANGE LIMITED

Cash Flow Statement

For the period ended 31 December 2013

| | Period ended 31-Dec-13 £ | Period ended 31-Dec-13 Tk. |
|---|--------------------------------|----------------------------------|
| A Cash Flow From Operating Activities | | |
| Amount Received Commission income | 1,152,210 | 143,803,701 |
| Exchange Income | 23,052 | 2,877,048 |
| Other Operating Income | 81,586 | 10,182,492 |
| Commission Paid | (39,902) | (4,980,043) |
| Other Interest Paid | - | - |
| Operating Expenses (Excluding Depreciation) | (950,526) | (118,632,156) |
| | 266,420 | 33,251,041 |
| B Increase/ Decrease in Operating Assets & Liabilities | | |
| Cash Held on Account | (6,321) | (788,904) |
| Receivables due from Agent | (480,310) | (59,945,978) |
| Barclaycard Commercial | 10,051 | - |
| Sun Trust Bank | 984 | 122,810 |
| Prepayments | - | - |
| Accrued Bank Interest on FDR | 2,209 | 275,698 |
| Rent Deposit | (2,000) | (249,614) |
| Trade Creditors | 680,092 | 84,880,140 |
| Taxes and Social Security Costs | (2,042) | (254,856) |
| Agent Payable | (28,543) | (3,562,362) |
| Agency Deposit Held on Accounts | 69,018 | 8,613,919 |
| Directors' Current Account | 3,000 | 374,421 |
| Wages & Salaries | 8,680 | 1,083,323 |
| Accountancy Accruals | (108) | (13,479) |
| Bank Charges Accruals | 4,561 | 569,244 |
| Corporation Tax Payable | (50,930) | (6,356,413) |
| | 208,341 | 24,747,950 |
| C Cash Flow From Investment Activities | | |
| Acquisition of shares in subsidiary | (28,268) | (3,528,040) |
| Loan to subsidiary | (59,472) | (7,422,513) |
| Acquisition of Tangible Assets | (5,514) | (688,185) |
| Bank Interest Received | 17 | 2,122 |
| Bank Interest Received on FDR | 15,011 | 1,873,476 |
| | (78,226) | (9,763,141) |
| D Cash Flow From Financing Activities | | |
| Issue of ordinary share Capital | - | - |
| Other new long term loan | - | - |
| Share Money Deposit | - | - |
| | - | - |
| E Net Increase/ Decrease in this Period (A+B+C+D) | 396,535 | 48,235,851 |
| Opening Balance as at 1 Jan 2013 | 777,515 | 93,819,469 |
| Exchange Rate Difference | - | 9,008,989 |
| Cash & Cash Equivalent at 30 June 2013 | 1,174,050 | 151,064,309 |

BRAC SAAJAN EXCHANGE LIMITED

Liquidity Statement

As at 31 December 2013

| Liquid Resources £ | | | | | | |
|------------------------------------|--------------------|------------------|-------------------|-----------|---------------|--------------------|
| | 0-1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Above 5 Years | Total |
| ASSETS | | | | | | |
| Cash held on account | 19,986 | | | | | 19,986 |
| Cash at bank and in hand | 1,174,050 | | | | | 1,174,050 |
| Suntrust bank | | | 51,288 | | | 51,288 |
| Prepayments & accrued income | 8,814 | | | | | 8,814 |
| Receivable from Agents | 889,721 | | | | | 889,721 |
| TOTAL ASSETS | 2,092,571 | - | 51,288 | - | - | 2,143,859 |
| LIABILITIES | | | | | | |
| BarclayCard Commercial *4420 | 10,051 | | | | | 10,051 |
| Trade creditors | 1,167,696 | | | | | 1,167,696 |
| Payables due to agents | 56,942 | | | | | 56,942 |
| Corporation Tax Payable | | | 60,637 | | | 60,637 |
| Agency deposit held on account | | | 173,705 | | | 173,705 |
| Paye | | | 11,093 | | | 11,093 |
| Directors' current account | | | | | | - |
| Wages and salaries | | | 14,823 | | | 14,823 |
| Accountancy accruals | 1,250 | | | | | 1,250 |
| Bank charges accruals | | 16,561 | | | | 16,561 |
| TOTAL LIABILITIES | 1,235,939 | 16,561 | 260,258 | - | - | 1,512,758 |
| Amount of net liquidity difference | 856,632 | (16,561) | (208,970) | - | - | 631,101 |
| Liquid Resources Tk. | | | | | | |
| | 0-1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Above 5 Years | Total |
| ASSETS | | | | | | |
| Cash held on account | 2,571,587 | | | | | 2,571,587 |
| Cash at bank and in hand | 151,064,309 | | | | | 151,064,309 |
| Suntrust bank | | | 6,599,196 | | | 6,599,196 |
| Prepayments & accrued income | 1,134,092 | | | | | 1,134,092 |
| Receivable from Agents | 114,479,867 | | | | | 114,479,867 |
| TOTAL ASSETS | 269,249,855 | - | 6,599,196 | - | - | 275,849,051 |
| LIABILITIES | | | | | | |
| BarclayCard Commercial *4420 | 1,293,256 | | | | | - |
| Trade creditors | 150,246,744 | | | | | 150,246,744 |
| Payables due to agents | 7,326,693 | | | | | 7,326,693 |
| Corporation Tax Payable | | | 7,802,126 | | | 7,802,126 |
| Agency deposit held on account | | | 22,350,518 | | | 22,350,518 |
| Paye | | | 1,427,330 | | | 1,427,330 |
| Directors' current account | | | | | | - |
| Wages and salaries | | | 1,907,267 | | | 1,907,267 |
| Accountancy accruals | 160,837 | | | | | 160,837 |
| Bank charges accruals | | 2,130,894 | | | | 2,130,894 |
| TOTAL LIABILITIES | 159,027,530 | 2,130,894 | 33,487,241 | - | - | 193,352,408 |
| Amount of net liquidity difference | 110,222,325 | (2,130,894) | (26,888,045) | - | - | 82,496,643 |

BRAC SAAJAN EXCHANGE LIMITED

Notes to the Financial Statement

for the period ended 31 December 2013

| 2 | Turnover | Period ended 31-Dec-13 £ | Period ended 31-Dec-13 Tk. |
|---|---------------------------------------|--------------------------------|----------------------------------|
| | Commission income of BSE (Direct) | 59,893 | 7,475,057 |
| | Commission income from agents | 1,089,477 | 135,974,193 |
| | Commission income from Greece | 2,474 | 308,772 |
| | Commission income from Pakistan | 366 | 45,679 |
| | FX gain/loss from remittance | 23,052 | 2,877,048 |
| | | 1,175,262 | 146,680,748 |
| 3 | Schedule of Administrative Expenses | Period ended 31-Dec-13 £ | Period ended 31-Dec-13 Tk. |
| | Wages and salaries (excl. N.I.) | 242,227 | 30,231,589 |
| | Directors' remuneration | 93,813 | 11,708,505 |
| | Employer's N.I. contributions | 30,125 | 3,759,806 |
| | Staff training | - | - |
| | Rent re operating leases | 36,600 | 4,567,931 |
| | Rates | 8,814 | 1,100,048 |
| | Insurance | 1,710 | 213,420 |
| | Light and heat | 4,039 | 504,095 |
| | Cleaning | 2,170 | 270,831 |
| | Repairs and maintenance | 3,579 | 446,684 |
| | Printing, postage and stationery | 5,071 | 632,896 |
| | Advertising | 38,030 | 4,746,405 |
| | Telephone | 19,473 | 2,430,364 |
| | Computer running cost | 15,485 | 1,932,634 |
| | Vehicle leasing | 3,907 | 487,620 |
| | Motor running expenses | 6,465 | 806,876 |
| | Travelling expense | 45,555 | 5,685,576 |
| | Entertaining - allowable | 253 | 31,576 |
| | Legal & professional fees - allowable | 10,698 | 1,335,184 |
| | Consultancy | 3,258 | 406,621 |
| | Accountancy | 2,916 | 363,937 |
| | Audit fees | 12,120 | 1,512,659 |
| | Bank charges | 308,118 | 38,455,237 |
| | Credit card charges | 32 | 3,994 |
| | Profit/ loss on foreign currency | 26,828 | 3,348,318 |
| | Staff welfare | 1,305 | 162,873 |
| | Sundry expenses- allowable | 1,191 | 148,645 |
| | Sundry expenses- non allowable | 65 | 8,112 |
| | Charitable donations | 400 | 49,923 |
| | Subscriptions - allowable | 26,280 | 3,279,924 |
| | Depreciation on FF&E | 9,912 | 1,237,085 |
| | Depreciation on computer equipment | 10,727 | 1,338,803 |
| | | 971,166 | 121,208,169 |

| | | | | |
|---|--|---|---|--------------------|
| 4 | Operating profit/(loss) | Period ended 31-Dec-13 £ | Period ended 31-Dec-13 Tk. | |
| | Operating profit/(loss) is stated after charging: | | | |
| | Depreciation of tangible assets | 20,639 | 2,575,889 | |
| | Loss on foreign exchange transactions | 26,828 | 3,348,318 | |
| | Operating lease rentals: | | | |
| | Plant and machinery | 3,907 | 487,620 | |
| | Other assets | 36,600 | 4,567,931 | |
| | Audit fees | 12,120 | 1,512,659 | |
| 5 | Investment Income | Period ended 31-Dec-13 £ | Period ended 31-Dec-13 Tk. | |
| | Bank interest | 15,028 | 1,875,597 | |
| | Other interest | - | - | |
| | | 15,028 | 1,875,597 | |
| 6 | Interest Payable | Period ended 31-Dec-13 £ | Period ended 31-Dec-13 Tk. | |
| | On other loans wholly repayable within 5 years | - | - | |
| 7 | Taxation | Period ended 31-Dec-13 £ | Period ended 31-Dec-13 Tk. | |
| | Total current tax | 60,636 | 7,567,788 | |
| | Factors affecting the tax charge for the period | | | |
| | Profit on ordinary activities before taxation | 260,808 | 32,550,625 | |
| | Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23% (2011 - 0.00%) | 59,986 | 7,486,664 | |
| | Effects of: Depreciation add back | 4,647 | 579,977 | |
| | Capital allowances | (4,012) | (500,725) | |
| | Tax losses utilised | - | - | |
| | Non deductible expenses | 15 | 1,872 | |
| | Current tax charge for the period | 60,636 | 7,567,788 | |
| 8 | Tangible Fixed Assets | Plant & Machinery £ | Fixture, Fittings £ | Total £ |
| | Costs | | | |
| | At 1 January 2013 | 28,857 | 108,977 | 137,834 |
| | Addition | 3,328 | 2,186 | 5,514 |
| | At 31 December 2013 | 32,185 | 111,163 | 143,348 |
| | Depreciation | | | |
| | At 1 January 2013 | 11,203 | 12,042 | 23,245 |
| | Charges for the period | 10,727 | 9,912 | 20,639 |
| | At 31 December 2013 | 21,930 | 21,954 | 43,884 |

| | Plant & Machinery £ | Fixture, Fittings £ | Total £ |
|-----------------------|------------------------|------------------------|------------|
| Net Book Value | | | |
| At 31 December 2013 | 10,255 | 89,209 | 99,464 |
| At 1 January 2013 | 17,654 | 96,935 | 114,589 |

Tangible Fixed Assets

| | Computer Equipments Tk. | Fixture, Fittings Tk. | Total Tk. |
|--------------------------|----------------------------|--------------------------|--------------|
| Costs | | | |
| At 1 January 2013 | 3,482,053 | 13,149,797 | 16,631,850 |
| Addition | 428,212 | 281,271 | 709,483 |
| Translation Gain/ (Loss) | 230,960 | 872,208 | 1,103,168 |
| At 31 December 2013 | 4,141,225 | 14,303,277 | 18,444,501 |

Depreciation

| | | | |
|--------------------------|-----------|-----------|-----------|
| At 1 January 2013 | 1,351,819 | 1,453,058 | 2,804,877 |
| Charges for the period | 1,338,803 | 1,237,085 | 2,575,889 |
| Translation Gain/ (Loss) | 131,098 | 134,665 | 265,763 |
| At 31 December 2013 | 2,821,720 | 2,824,808 | 5,646,528 |

Net Book Value

| | | | |
|---------------------|-----------|------------|------------|
| At 31 December 2013 | 1,319,505 | 11,478,469 | 12,797,973 |
| At 1 January 2013 | 2,130,234 | 11,696,739 | 13,826,973 |

9 Fixed asset investments

| | Shares in subsidiary undertaking £ | Loans to subsidiary undertaking £ | Shares in subsidiary undertaking Tk. | Loans to subsidiary undertaking Tk. |
|-----------------------|---------------------------------------|--------------------------------------|---|--|
| Cost | | | | |
| At 1 January 2013 | - | - | - | - |
| Additions | 28,268 | 59,472 | 3,637,227 | 7,652,227 |
| At 31 December 2013 | 28,268 | 59,472 | 3,637,227 | 7,652,227 |
| Net book value | | | | |
| At 31 December 2013 | 28,268 | 59,472 | 3,637,227 | 7,652,227 |

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

| Company | Country of registration or incorporation | Shares held Class | % |
|-----------------------|--|----------------------|-------|
| Brac Saajan (FR) SARL | France | Ordinary | 68.00 |

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

| | | Principal activity | Capital and reserves 31-Dec-13 £ | Capital and reserves 31-Dec-13 Tk. |
|-----------------------|--------------------------------|--------------------|--|--|
| Brac Saajan (FR) SARL | | Money Exchange | 30,318 | 3,900,999 |
| | | | Profit/ (loss) for the period ended 31-Dec-13 £ | Profit/ (loss) for the period ended 31-Dec-13 Tk. |
| | | | (13,702) | (1,763,028) |
| 10 | Cash at Bank and in Hand | | Period ended 31-Dec-13 £ | Period ended 31-Dec-13 Tk. |
| | Barclays A/c No 33361497 | | 183,629 | 23,627,433 |
| | Barclays Dollar A/c | | 130 | 16,727 |
| | Barclays A/c No 03013235 | | 84,779 | 10,908,463 |
| | Barclays A/c No 23618161 | | - | - |
| | Barclays A/c No 33422984 | | 351 | 45,163 |
| | Barclays A/c No 03684431 | | 61,069 | 7,857,712 |
| | Barclays A/c No 13093441 | | 15,490 | 1,993,089 |
| | Cash in hand | | 654 | 84,150 |
| | Islami Bank Deposit | | 10,945 | 1,408,287 |
| | Brac Bank Deposit | | 167,059 | 21,495,381 |
| | Brac Bank FDR | | 420,179 | 54,064,180 |
| | UCBL Deposit | | 5,157 | 663,548 |
| | Arab Bank Deposit | | 17,159 | 2207838.235 |
| | Dhaka Bank Deposit | | 24,208 | 3,114,829 |
| | Bank Pekao A/c no *7864 | | 103,154 | 13,272,763 |
| | Bank Pekao A/c no *7705 | | 8,228 | 1,058,692 |
| | Bank Pekao A/c no *7994 | | 55,056 | 7,084,022 |
| | Habib Bank Deposit | | 2,342 | 301,344 |
| | Axis Bank Deposit | | 14,461 | 1,860,688 |
| | | | <u>1,174,050</u> | <u>151,064,309</u> |
| | | | Period ended 31-Dec-13 £ | Period ended 31-Dec-13 Tk. |
| 11 | Debtors | | | |
| | Cash held on account | | 19,986 | 2,571,587 |
| | Receivables due from agents | | 889,721 | 114,479,867 |
| | Director's current account | | - | - |
| | Sun Trust Bank | | 51,288 | 6,599,196 |
| | Prepayments and accrued income | | 8,814 | 1,134,092 |
| | | | <u>969,809</u> | <u>124,784,742</u> |

12 **Creditors: amounts falling due within one year**

| | Period ended 31-Dec-13 £ | Period ended 31-Dec-13 Tk. |
|---------------------------------------|--------------------------------|----------------------------------|
| Barclaycard Commercial | 10,051 | 1,293,256 |
| Trade creditors | 1,167,696 | 150,246,744 |
| Agent payables | 56,942 | 7,326,693 |
| Agency deposit held on account | 173,705 | 22,350,518 |
| Corporation tax | 60,637 | 7,802,126 |
| Other taxes and social security costs | 11,093 | 1,427,330 |
| Other creditors | 14,823 | 1,907,267 |
| Accruals and deferred income | 17,811 | 2,291,731 |
| | 1,512,758 | 194,645,664 |

13 **Share capital**

| | Period ended 31-Dec-13 £ | Period ended 31-Dec-13 Tk. |
|---|--------------------------------|----------------------------------|
| Authorised Capital | | |
| 1,000,000 ordinary shares of £1 each | 1,000,000 | 128,669,400 |
| Allotted, called up and fully paid 333,333 shares of £1 each | 333,333 | 42,889,757 |

14 **Statement of movements on Share Money Deposit**

| | Period ended 31-Dec-13 £ | Period ended 31-Dec-13 Tk. |
|--|--------------------------------|----------------------------------|
| Balance at 1 January 2013 | 208,383 | 26,812,516 |
| Premium on shares issued during the year | | - |
| Balance at 31 December 2013 | 208,383 | 26,812,516 |

15 **Statement of movements on profit and loss account**

| | Period ended 31-Dec-13 £ | Period ended 31-Dec-13 Tk. |
|-----------------------------|--------------------------------|----------------------------------|
| Balance at 1 January 2013 | 76,418 | 9,221,039 |
| Profit for the period | 200,172 | 25,756,011 |
| Translation Gain/ (Loss) | - | 611,748 |
| Balance at 31 December 2013 | 276,590 | 35,588,669 |

16 **Reconciliation of movements in shareholders' funds**

| | Period ended 31-Dec-13 £ | Period ended 31-Dec-13 Tk. |
|--|--------------------------------|----------------------------------|
| Profit/(loss) for the financial period | 200,172 | 25,756,011 |
| Share Money Deposit | - | - |
| Translation Gain/ (Loss) | - | (87,038) |
| Net addition to/(depletion in) shareholders' funds | 200,172 | 25,668,973 |
| Opening shareholders' funds | 618,134 | 79,621,969 |
| Closing shareholders' funds | 818,306 | 105,290,942 |

17 **Employees**

Number of employees

The average monthly number of employees (including directors) during the period was:

| Period ended 31-Dec-13 Number | Period ended 31-Dec-12 Number |
|-------------------------------------|-------------------------------------|
|-------------------------------------|-------------------------------------|

17

11

Employment costs

| | Period ended 31-Dec-13 £ | Period ended 31-Dec-13 Tk. |
|-----------------------|--------------------------------|----------------------------------|
| Wages and salaries | 336,040 | 41,940,094 |
| Social security costs | 30,125 | 3,759,806 |
| | 366,165 | 45,699,900 |

19 **Control**

The company is controlled by Brac Bank Ltd that owns 87.5% of the issued share capital of the company.

Independent Auditor's Report to the Shareholders of BRAC IT Services Limited

We have audited the accompanying financial statements of BRAC IT Services Limited (the "Company" or "biTS") which comprise the statement of financial position (balance sheet) as at 31 December 2013, and the statement of comprehensive income (profit and loss account), statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994 and other applicable laws and regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS).

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 explanations which to the best of our knowledge and belief were necessary for the purposes 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 Company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account.

Dhaka

SD
Chartered Accountants

BRAC IT Services Limited
Statement of Financial Position
As at 31 December 2013

| | Notes | 2013 Taka | 2012 Taka |
|--|--------|--------------------|--------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | Sch.-A | 31,498,119 | 6,154,123 |
| Intangible assets | 15 | 103,021,785 | 91,424,356 |
| | | 134,519,904 | 97,578,479 |
| Current Assets | | | |
| Accounts receivable | 3 | 14,897,812 | 3,032,265 |
| Advances, deposits and prepayments | 4 | 11,883,730 | 481,385 |
| Cash and cash equivalents | 16 | 17,005,871 | 86,299 |
| | | 43,787,413 | 3,599,949 |
| Total assets | | 178,307,317 | 101,178,428 |
| Equity and Liabilities | | | |
| Shareholders' equity | | | |
| Share capital | 5 | 61,224,000 | 1,000,000 |
| Share premium | | 937,215 | 937,215 |
| Retained earnings/(accumulated losses) | 6 | (61,586,329) | 5,945,969 |
| | | 574,886 | 7,883,184 |
| Non-Current Liabilities | | | |
| Loan from BRAC | | 36,249,000 | 65,249,000 |
| Loan from BRAC Bank Limited | | - | 10,000,000 |
| | | 36,249,000 | 75,249,000 |
| Current liabilities | | | |
| Accounts Payable | 7 | 32,063,137 | 16,288,941 |
| Income Tax and VAT Deduction at Source | 8 | - | 1,338,534 |
| Unearned Revenue - Customer Advance | 14 | 109,280,340 | - |
| Other Advances Received | | - | 178,815 |
| Other Payable | | - | 100,000 |
| Payable to Mprogoti | | 139,954 | 139,954 |
| | | 141,483,431 | 18,046,244 |
| Total equity and liabilities | | 178,307,317 | 101,178,429 |

These financial statements should be read in conjunction with annexed notes

SD
Chief Executive Officer

SD
Director

SD
Chairman

AUDITORS' REPORT TO THE SHAREHOLDERS
See annexed report of date

Dhaka

SD
Chartered Accountants

BRAC IT Services Limited
Statement of Profit & Loss other Comprehensive Income
For the year ended 31 December 2013

| | <u>Notes</u> | <u>2013</u> <u>Taka</u> | <u>2012</u> <u>Taka</u> |
|-------------------------------------|--------------|----------------------------|----------------------------|
| Revenue | | | |
| Sales and Service Charges | 9 | 119,540,607 | 16,090,287 |
| Total income | | <u>119,540,607</u> | <u>16,090,287</u> |
| Operating expense | | | |
| Staff cost | 10 | (104,665,742) | (4,952,739) |
| Other operating expense | 11 | (77,332,302) | (10,690,022) |
| Total Operating expense | | <u>(181,998,044)</u> | <u>(15,642,761)</u> |
| Net Operating profit | | <u>(62,457,438)</u> | <u>447,526</u> |
| Finance expense | | | |
| Interest on Loan | 12 | (5,074,860) | (201,064) |
| Net profit before income tax | | <u>(67,532,298)</u> | <u>246,462</u> |
| Income Tax expenses | | - | - |
| Net profit | | <u>(67,532,298)</u> | <u>246,462</u> |

These financial statements should be read in conjunction with annexed notes

SD
Chief Executive Officer

SD
Director

SD
Chairman

AUDITORS' REPORT TO THE SHAREHOLDERS
See annexed report of date

Dhaka

SD
Chartered Accountants

BRAC IT Services Limited
Statement of Changes in Equity
For the year ended 31 December 2013

| Particulars | Amount in Taka | | | |
|-------------------------------------|----------------|---------------|--|--------------|
| | Share capital | Share premium | Retained earnings/ (accumulated losses) | Total |
| Balance as at 1 January 2013 | 1,000,000 | 937,215 | 5,945,969 | 7,883,184 |
| New issue of shares | 60,224,000 | - | - | 60,224,000 |
| Net profit/(loss) for the year 2013 | - | - | (67,532,298) | (67,532,298) |
| Balance as at 31 December 2013 | 61,224,000 | 937,215 | (61,586,329) | 574,886 |

These financial statements should be read in conjunction with annexed notes

SD
Chief Executive Officer

SD
Director

SD
Chairman

BRAC IT Services Limited
Statement of Cash Flows
For the year ended 31 December 2013

| | 2013 Taka | 2012 Taka |
|---|--------------------------|----------------------|
| A. Cash flows from operating activities | | |
| Cash receipt from customer and other income | 118,919,151 | 13,058,022 |
| Cash paid to employees | (104,665,742) | (4,952,739) |
| Cash paid to suppliers | (96,982,242) | (36,627,216) |
| Net cash from operating activities | <u>(82,728,834)</u> | <u>(28,521,933)</u> |
| B. Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (30,855,934) | (355,000) |
| Purchase of intangible assets | - | - |
| Net cash used in investing activities | <u>(30,855,934)</u> | <u>(355,000)</u> |
| C. Cash flows from financing activities | | |
| Proceeds from issue of share capital * see below | 21,224,000 | - |
| Advanced Received from BRAC Bank | 109,280,340 | 10,000,000 |
| Loan from BRAC | - | 17,249,000 |
| Net cash flows from financing activities | <u>130,504,340</u> | <u>27,249,000</u> |
| Net increase in cash and cash equivalents (A+B+C) | <u>16,919,572</u> | <u>(1,627,933)</u> |
| Cash and cash equivalents at beginning of year | 86,299 | 1,714,232 |
| Cash and cash equivalents at end of the year | <u>17,005,871</u> | <u>86,299</u> |

* Share Capital issued during the year was Tk 60,224,000 of which Tk 21,224,000 was received in cash and remaining Tk 39,000,000 adjusted against previously received loan.

These financial statements should be read in conjunction with annexed notes

SD
Chief Executive Officer

SD
Director

SD
Chairman

BRAC IT Services Limited
FIXED ASSETS SCHEDULE-A
As on 31 December 2013

| Particulars | ASSET AT COST | | | | ACCUMULATED DEPRECIATION | | | | WDV as on 31.12.13 | WDV as on 31.12.12 |
|--------------------------------|------------------------|--------------------------------------|------------------------|--------------|--------------------------|--------------------------------------|--|------------------------|--------------------|--------------------|
| | Balance as on 01.01.13 | Addition for Jan 2013 to 31 Dec 2013 | Balance as on 31.12.13 | Rate Dep (%) | Balance as of 01.01.13 | Addition for Jan 2013 to 31 Dec 2013 | Sale or disposal from Jan 2013 to Dec 2013 | Balance as on 31.12.13 | | |
| Furniture & Fixture | 1,822,626 | 283,239 | 2,105,865 | 10% | 666,295 | 220,028 | 315,444 | 1,201,767 | 904,098 | 1,156,331 |
| Furniture & Fixture (Interior) | | 15,184,450 | 15,184,450 | 10% | - | 126,537 | - | 126,537 | 15,057,913 | - |
| Office Equipment | 110,450 | - | 110,450 | 10% | 16,585 | 3,682 | 90,183 | 110,450 | 0 | 93,865 |
| Air-Conditioner (2012) | 1,066,000 | - | 1,066,000 | 20% | 508,035 | 71,067 | 486,898 | 1,066,000 | 0 | 557,965 |
| Air-Conditioner (Dec 2013) | - | 6,638,000 | 6,638,000 | 20% | - | 110,633 | - | 110,633 | 6,527,367 | - |
| Generator | - | 1,648,650 | 1,648,650 | 20% | - | 27,478 | - | 27,478 | 1,621,173 | - |
| Multimedia Projector | - | 120,000 | 120,000 | 20% | | 6,000 | | 6,000 | 114,000 | - |
| Computer & Others | 7,475,118 | 3,375,595 | 10,850,713 | 33% | 4,888,960 | 2,774,085 | - | 7,663,045 | 3,187,668 | 2,586,158 |
| Server | - | 3,606,000 | 3,606,000 | 20% | - | 60,100 | | 60,100 | 3,545,900 | - |
| Motor Vehicle | 900,000 | - | 900,000 | 20% | 180,000 | 180,000 | - | 360,000 | 540,000 | 720,000 |
| Mobile | 26,197 | - | 26,197 | 10% | 24,046 | 873 | 1,278 | 26,197 | - | 2,151 |
| Electrical Installation | 143,569 | - | 143,569 | 10% | 143,569 | - | - | 143,569 | - | - |
| Plant and machinery | 2,282,310 | - | 2,282,310 | 5% | 1,244,658 | 38,039 | 999,613 | 2,282,310 | - | 1,037,652 |
| Total | 13,826,270 | 30,855,934 | 44,682,204 | | 7,672,148 | 3,618,521 | 1,893,416 | 13,184,085 | 31,498,119 | 6,154,122 |

BRAC IT Services Limited

Notes to the financial statements

as at and for the year ended 31 December 2013

1. The Company and its activities

BRAC IT Services Ltd. (biTS or the “Company”), private company limited by shares was initially founded as Documenta™ Ltd, a Digital Archiving Firm in 1999. Subsequently Documenta™ Ltd spread its activities to other areas like Software Development and successfully executed some local and overseas software development projects.

biTS was then formed in April 2013 through the merger of Documenta™ Ltd, a subsidiary IT company owned by BRAC and the IT Division of BRAC Bank Limited. The Company is currently conducting its operation as an IT Solution and Services provider. The objective of biTS is to become one of the most trustworthy IT Company in Bangladesh providing IT Solutions and Services.

biTS provides end-to-end solutions for industries like Bank, Financial Institution, FMCG & Consumer Durables, NGO etc. biTS has a team of capable and professional individuals committed to deliver best value solutions and services to its clients.

2. Basis of preparation and significant accounting policies

2.1 Statement of compliance

These financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) and the Companies Act 1994.

2.2 Basis of measurement

This financial statements of the Company are made up to December 31, 2013 and are prepared on the basis of historical cost convention.

2.3 Presentation and functional currency and level of precision

The financial statements are presented in Bangladesh Taka (BDT) currency, which is the Company's functional currency. All financial information presented in BDT has been rounded off to the nearest BDT.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with Bangladesh Financial Reporting Standards (BFRS) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. It also requires disclosures of contingent assets and liabilities at the date of the financial statements.

The most critical estimates and judgments are applied to the following:

- Determination of carrying value of work in progress; and
- Provision for impairment of receivables.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. However, the estimates and underlying assumptions are reviewed on an ongoing basis and the revision is recognised in the period in which the estimates are revised.

2.5 Property and equipment

i) Recognition and measurement

Owned assets

Items of own property and equipments are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the assets to its working condition for its intended use as per Bangladesh Accounting Standard (BAS) 16 “Property, Plant and Equipments”.

Leasehold assets

Leasehold assets of which the Company assumes substantially all the risks and rewards of ownership are accounted

for as finance leases and capitalised at the inception of the lease at fair value of the leased property or at the present value of the minimum lease payments, whichever is lower as per Bangladesh Accounting Standard (BAS) 17 "Leases". The corresponding obligation under the lease is accounted for as liability.

ii) Subsequent expenditure on property and equipment

Subsequent expenditure is capitalised only when it increases the future economic benefit from the assets and that cost can be measured reliably. All other expenditures are recognised as an expense as and when they are incurred.

iii) Depreciation

Depreciation is charged to the cost of assets, over their estimated useful lives, using the straight-line method in accordance with BAS-16 "Property, Plant and Equipment". Full depreciation is charged for the month on additions irrespective of date when the related assets are put into use and no depreciation is charged for the month of disposal. Asset category wise depreciation rates are as follows:

| | Rates |
|-------------------------|-------|
| Furniture and fixtures | 10% |
| Office Equipment | 10% |
| Air-Conditioner | 20% |
| Generator | 20% |
| Multimedia Projector | 20% |
| Computer & Others | 33% |
| Server | 20% |
| Motor Vehicle | 20% |
| Mobile | 10% |
| Electrical Installation | 10% |
| Plant and machinery | 5% |

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

Depreciation methods, useful lives and residual values, if any are reviewed at the balance sheet date.

2.6 Intangible assets and amortisation of intangible assets

a) Recognition and measurement

Intangible assets that are acquired by the company and have finite usefull lives are measured at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are recognised when all the conditions for recognition as per BAS 38: Intangible assets are met. The cost of an intangible asset comprises its purchase price, import duties and non-refundable taxes and any directly attributable cost of preparing the asset for its intended use.

b) Subsequent costs

Subsequent costs are capitalise only when they increase the future economic benefits embodied in the specific asset to which they relate. All other cost are recognised in the profit or loss as incurred.

c) Amortisation

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets, from the date they are available for use. The estimated useful lives are as follows:

| | <u>2013</u> | <u>2012</u> |
|----------|-------------|-------------|
| Software | 5 years | 5 years |

Amortisation methods, useful lives and values are reviewed yearly and adjusted, if appropriate.

(d) Derecognition

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its continued use. Gains or losses on disposals are determined by comparing the disposal proceeds with the carrying amounts and are recognised net.

2.7 Revenue recognition

Revenues are recognised at fair value of the consideration received or receivable, net of discount and sales related taxes (e.g. VAT). Revenue are reported gross with separate recording of expenses to vendors of product and services. However, when the Company acts only as an agent or broker on behalf of supplier of products or services, revenue are reported on a net basis. Revenues of Brac IT Ltd arise from:

Sale of software

Revenues from the sale of software is recognised when significant risks and rewards associated with the software is transferred and the entity retains neither significant managerial involvement nor effective control over the software. The other criteria for revenue recognition , i.e, availability of reliable measure for revenue and associated costs and probable flow of economic benefits to the entity must also be met.

Accordingly delivery of a software is not considered complete and revenue is not recognised when the software is provided/shipped subject to installation and the installation is a significant part of contract which has not yet been compared by the Company.

IT service revenue

Revenue from IT service is recognised on a percentages of completion of service is determine upon periodic review and usually evidenced by work completion certificate. Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity.

2.8 Receivables

Trade and other receivables represent the amounts due from customers for developing software or rendering services. Trade and other receivables are initially recognised at cost which is the fair value of the consideration given in return. After initial recognition these are carried at cost less impairment losses due to the uncollectibility of any amount so recognised.

2.9 Provision

A provisions is recognised in the statements of financial positions when the Company has a legal or constructive obligations as a result of a 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 the obligation. Provision is ordinarily measured at the best estimate of the expenditure required to settle the present obligation at the date of statement of financial position. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditures expected to be required to settle the obligation.

2.10 Taxation

As per provisions of Income Tax Ordinance 1984 (ITO), IT enabled services are subject to tax exemption until 30 June 2015. However, income from other than IT enabled services are taxable as per Income Tax Ordinance 1984. Applicable income tax rate for such other income was 37.5% in the year under audit.

2.11 Impairment of assets

The Company reviews its assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recovered. Accordingly, the Company estimates the recoverable amount of the assets. Impairment losses, if any, is recognised in the profit and loss account when the estimated recoverable amount of an asset is less than its carrying amount.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank, term deposits and investments in call loan that are readily convertible to a known amount of cash (with less than three months maturity) and that are subject to an insignificant risk of change in value.

2.13 Date of authorisation

The Board of Director has authorised this financial statement for issue on February 2014.

3 Accounts receivable

BRAC Finance & Accounts
 BRAC University
 BRAC Procurement
 BRAC Transport Department
 BRAC Store & Inventory Mgt. Systems
 Sajida Foundation
 BRAC Construction
 BRAC Bank Internet Service
 bKash Internet Service
 BRAC EPL Internet Service
 BRAC EPL Investment Internet
 BRAC EPL Stock Brokerage
 Bangladesh International Tutorial (BIT)
 BRAC Advocacy Unit
 GRG Project (ATM Maintenance)
 GRG Project (Spare Parts)
 The Daily Ittefaq
 Tank Project
 BRAC Enterprise
 BRAC Dairy Food & Project
 Save the Children

| | 2013 Taka | 2012 Taka |
|---------------------------------|--------------------|------------------|
| | 230,000 | - |
| | 3,768,010 | 10,000 |
| | 422,600 | 222,600 |
| | - | 30,000 |
| | 76,400 | 60,000 |
| | 30,000 | - |
| | 76,400 | - |
| | 207,275 | - |
| | 210,271 | - |
| | 71,400 | - |
| | 53,480 | - |
| | 4,924,000 | - |
| | 60,000 | - |
| | 49,220 | - |
| | 3,400,000 | - |
| | 2,300,000 | - |
| | 378,756 | 478,756 |
| | 1,500,000 | 1,500,000 |
| | 400,000 | 400,000 |
| | 240,000 | 240,000 |
| | - | 90,909 |
| | 18,397,812 | 3,032,265 |
| Less: Bad debt provision | (3,500,000) | - |
| | 14,897,812 | 3,032,265 |

4 Advance, Deposits and Prepayments

Security deposit
 Advance to 3rd party
 Advance to Land Lord
 Advance to staff against salary
 Others

| | | |
|--|-------------------|----------------|
| | - | 312,000 |
| | 352,000 | 120,000 |
| | 11,531,730 | - |
| | - | 48,260 |
| | - | 1,125 |
| | 11,883,730 | 481,385 |

5 Share capital**5.1 Authorized share capital**

200,000 ordinary shares of Taka 1000 each

| | |
|--------------------|-------------------|
| 200,000,000 | 10,000,000 |
|--------------------|-------------------|

| | 2013 Taka | 2012 Taka |
|---|--------------|--------------|
| 5.2 Issued, subscribed and paid-up share capital | | |
| 61,224 ordinary shares of Taka 1000 each | 61,224,000 | 1,000,000 |

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

| Name of shareholders | Number of shares | | Total Amount (BDT) | | 2013 Shareholding % |
|------------------------|------------------|--------------|--------------------|-------------------|------------------------|
| | 2013 | 2012 | Value | 2013 | |
| BRAC Bank Ltd. | 31,224 | - | 1,000 | 31,224,000 | - |
| BRAC | 29,800 | 800 | 1,000 | 29,800,000 | 800,000 |
| Ayesha Abed Foundation | 200 | 200 | 1,000 | 200,000 | 200,000 |
| Total | 61,224 | 1,000 | 1,000 | 61,224,000 | 1,000,000 |

6 Retained earnings/(accumulated losses)

| | | |
|-------------------------------------|---------------------|------------------|
| Opening balance | 5,945,969 | 5,699,507 |
| Net profit/(loss) during the period | (67,532,298) | 246,462 |
| | (61,586,329) | 5,945,969 |

7 Payable

| | | |
|-----------------------------------|-------------------|-------------------|
| Salary & Allowances Payable | - | 3,221,021 |
| Welfare Fund | 85,930 | - |
| Performance Bonus | 10,000,000 | - |
| Interest on Loan Payable | 17,851,365 | 12,776,505 |
| Audit Fees Payable | - | 31,500 |
| Electricity bill | - | 8,919 |
| Telephone & Mobile | - | 696 |
| Internet bill payable | - | 112,000 |
| Office Maintenance | - | 1,300 |
| Computer Bill Payable | - | 137,000 |
| Interior Design (Needs Engineers) | 3,796,112 | - |
| Generator (Cross world) | 329,730 | - |
| | 32,063,137 | 16,288,941 |

8 Withholding Income Tax and VAT Payable

| | | |
|----------------------|----------|------------------|
| TDS from Salary | - | 1,179,715 |
| VDS from Office Rent | - | 90,000 |
| VDS from Vendors | - | 68,819 |
| | - | 1,338,534 |

9 Sales and Service charges

| | 2013 Taka | 2012 Taka |
|---|----------------------------|----------------------------|
| BRAC Bank Limited | 84,040,000 | - |
| BRAC International -SBI Cloud Project | 8,443,430 | 2,050,000 |
| BRAC Micro Finance - Internal HR | 801,440 | 3,094,400 |
| BRAC Education Programme (BEP-SMS) | 512,968 | 2,564,837 |
| BRAC Finance & Accounts | 3,243,000 | 2,804,000 |
| BRAC University | 7,928,510 | 1,390,000 |
| BRAC Procurement | 935,105 | 1,094,560 |
| BRAC Transport Department | 14,325 | 150,000 |
| BRAC Store & Inventory Mgt. Systems | 248,494 | 301,000 |
| Sajida Foundation | 390,000 | 441,000 |
| BRAC Communications | 10,463 | - |
| BRAC Construction | 114,600 | - |
| BRAC Bank Internet Service | 449,588 | - |
| bKash Internet Service | 210,271 | - |
| BRAC EPL Internet Service | 103,645 | - |
| BRAC EPL Investment Internet | 116,448 | - |
| BRAC EPL Stock Brokerage | 5,224,000 | - |
| Bangladesh International Tutorial (BIT) | 780,000 | 460,000 |
| Bangladesh Insurance Academy | 30,225 | 47,225 |
| Sir John Wilson School | 20,055 | - |
| BRAC Advocacy Unit | 49,220 | - |
| GRG Project (ATM Maintenance) | 3,400,000 | - |
| GRG Project (Spare Parts) | 2,300,000 | - |
| A. R. Malik And Company (Pvt) Ltd | 137,000 | - |
| The Daily Ittefaq | - | 136,675 |
| Dhaka University | - | 1,000 |
| Save the Children | - | 909,090 |
| ARTDOC - Map digitization | - | 646,500 |
| Other Income | 37,820 | - |
| | 119,540,607 | 16,090,287 |

10 Staff cost

Salaries & Benefit
 PF (Employeeers)
 GF
 Contractual Salary
 Festival Bonus
 Project Bonus
 Overtime
 Notice Pay
 LFA
 Staff Loan Overhead

| 2013 Taka | 2012 Taka |
|--------------------|------------------|
| 67,580,960 | 4,898,274 |
| 4,799,160 | - |
| 2,832,194 | - |
| 9,234,185 | - |
| 6,394,989 | - |
| 10,000,000 | - |
| 231,415 | 54,465 |
| 195,050 | - |
| 2,187,429 | - |
| 1,210,360 | - |
| 104,665,742 | 4,952,739 |

11 Operating expenses

Office Rent
 Project Expenses
 Electricity, Gas & Water
 Travelling & Transportation
 Telephone & Fax bill
 Internet bill
 Office Maintenance
 Printing & stationery
 Fuel & Lubricants
 IT Accessories
 Repair & Maintenance
 Repair & Maintenance (GRG Support)
 Director's remuneration
 Transport Maintenance (Pool)
 Transport Maintenance (Others)
 Tax Token
 Electrical Accessories
 Networking Accessories
 Business Promotional Expenses
 Drinking Water
 Guard Expenses
 Insurance (Others)
 Insurance Premium
 VAT Expenses (Vendor's)

12.1

| | |
|------------|-----------|
| 5,655,574 | 3,280,000 |
| 27,500,000 | 773,283 |
| 1,227,408 | 803,339 |
| 1,413,326 | 128,366 |
| 1,714,866 | 264,071 |
| 1,756,419 | 847,671 |
| 1,929,071 | 613,676 |
| 1,131,900 | 113,099 |
| 215,163 | 362,897 |
| 1,110,052 | 180,429 |
| 68,514 | 102,014 |
| 8,035,781 | - |
| 190,000 | - |
| 151,675 | 179,453 |
| 10,337,386 | - |
| 205,299 | - |
| - | 14,369 |
| 25,309 | 8,100 |
| 254,590 | 218,830 |
| 79,282 | - |
| 241,806 | - |
| 51,731 | - |
| 1,067,736 | - |
| 211,319 | 95,250 |

| | 2013 Taka | 2012 Taka |
|------------------------------|-------------------|-------------------|
| VAT Expenses (Rent) | 69,968 | - |
| Entertainment | 218,950 | 200,335 |
| Audit fee | 31,500 | 35,000 |
| Legal & Professional fees | 365,000 | - |
| Licence & renewal | 583,399 | 51,104 |
| Fees and subscription | 593,942 | 239,340 |
| Meeting and seminar | 1,239,514 | - |
| Training | 50,000 | - |
| Postage & Courier | 376,482 | - |
| Photocopy | - | 5,206 |
| Newspaper & Periodicals | - | 6,040 |
| General Expenses | 371,347 | - |
| Advertisement | 310,635 | - |
| Service Charges | - | 192,000 |
| Gift Expenses | - | 5,000 |
| Bank charges | 18,421 | 3,984 |
| Loss on Sale of Fixed Assets | 1,410,416 | - |
| Depreciation | 3,618,521 | 1,967,166 |
| Provision for Bad Debt | 3,500,000 | - |
| Total operating expense | 77,332,302 | 10,690,022 |

12 Project expenses

| | | |
|------------------------------------|-------------------|----------------|
| BRAC International ERP (SBI Cloud) | 16,903,362 | 170,995 |
| BRAC University | 1,844,131 | - |
| BEP - SMS | - | 200,000 |
| BIT School Project | - | 284,000 |
| Graphics | 4,886,788 | 38,670 |
| BRAC Monitoring | 1,598,223 | - |
| Map Digitization | 1,656,784 | 79,618 |
| CGA | 460,712 | - |
| Hardware Development Tank | 150,000 | - |
| | 27,500,000 | 773,283 |

13 Finance expense

| | | |
|------------------|------------------|----------------|
| Interest on loan | 5,074,860 | 201,064 |
| | 5,074,860 | 201,064 |

| | | 2013 Taka | 2012 Taka |
|--|------|--------------------|-------------------|
| 14 Unearned revenue (Advance received from BRAC Bank Limited) | | | |
| Advances received during the year | | 193,320,340 | - |
| Less: Adjustment against service charges of Tk 7,640,000 per month | | | |
| For the period of 11 Months (February to December 2013) | | 84,040,000 | - |
| | | <u>109,280,340</u> | <u>-</u> |
| 15 Intangible Assets | | | |
| Goodwill | | - | 116,845 |
| Work in progress | 15.1 | 103,021,785 | 91,307,511 |
| | | <u>103,021,785</u> | <u>91,424,356</u> |

15.1 Work in progress

| Name of the Project | Balance at 01 Jan. 2013 | Addition during the Year | % | Adjustment during the year | Balance at 31 December 2013 |
|------------------------------------|-------------------------|--------------------------|------|----------------------------|-----------------------------|
| BRAC International ERP (SBI Cloud) | 52,322,145 | 32,194,664 | 20% | 16,903,362 | 67,613,447 |
| BRAC University | 11,897,761 | 7,019,610 | 10% | 1,844,131 | 17,073,240 |
| BEP - SMS | 6,939,214 | | | - | 6,939,214 |
| SDU - MF | 4,174,572 | | | - | 4,174,572 |
| BIT School Project | 3,077,533 | | | - | 3,077,533 |
| Development & Customization | 2,267,500 | | | - | 2,267,500 |
| The Daily Ittefaq | 1,876,279 | | | - | 1,876,279 |
| Graphics | 4,886,788 | | 100% | 4,886,788 | - |
| BRAC Monitoring | 1,598,223 | | 100% | 1,598,223 | - |
| Map Digitization | 1,656,784 | | 100% | 1,656,784 | - |
| CGA | 460,712 | | 100% | 460,712 | - |
| Hardware Development Tank | 150,000 | | 100% | 150,000 | - |
| Total | 91,307,511 | 39,214,274 | | 27,500,000 | 103,021,785 |

16 Cash at Bank

| | | |
|---|-------------------|---------------|
| Cash in hand | 3,751 | 23,202 |
| Cash at Bank with BRAC Bank Ltd. Account Number | | |
| 1501200131959001 | 14,654,072 | 63,097 |
| 1501202588635001 | 2,348,048 | - |
| | <u>17,002,120</u> | <u>63,097</u> |
| | <u>17,005,871</u> | <u>86,299</u> |

SD
Chief Executive Officer

SD
Director

SD
Chairman

AUDITORS' REPORT
To the shareholders of
BRAC Impact Ventures Limited

We have audited the accompanying financial statements of **BRAC Impact Ventures Limited** which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes and information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), give a true and fair view of the Company's affairs as at 31 December 2013 and of the results of its operations and its cash flows for the year then ended and comply with the Companies Act, 1994 and other applicable laws and regulations

We also report that:

- a) 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;
- 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 company's Statement of Financial Position and Statement of Comprehensive Income together with notes I to I O thereto dealt with by the report are in agreement with the books of account. Dhaka, Chartered Accountants

SD

Dhaka

Chartered Accountants

BRAC Impact Ventures Limited
Statement of Financial Position
As at 31 December 2013

| | | 2013 | 2012 |
|---|---------------------|--------------------------|--------------------------|
| Assets | <u>Notes</u> | <u>Taka</u> | <u>Taka</u> |
| Non Current Assets | | | |
| Property, plant & equipment | 4 | 2,855,662 | - |
| Deferred expenses | 5 | 9,725,841 | 8,533,164 |
| Long term deposit with IDLC Finance Limited | | 640,000 | - |
| | | 13,221,503 | 8,533,164 |
| Current Assets | | | |
| Cash and cash equivalents | 6 | 10,733,568 | 13,493,214 |
| Advance income tax | | 172,406 | 44,851 |
| Accrued interest receivable | | 174,000 | 104,167 |
| Total assets | | <u>24,301,477</u> | <u>22,175,396</u> |
| Equity and Liabilities | | | |
| Shareholders' equity | | | |
| Share capital | 7 | 20,000,000 | 20,000,000 |
| Retained earnings | | (6,338,303) | (2,224,248) |
| Shareholders' equity | | 13,661,697 | 17,775,752 |
| Non-Current liabilities | | | |
| Loan from UNFCCC | | 7,732,250 | - |
| Finance lease obligations - long term portion | 8 | 2,346,549 | - |
| | | 10,078,799 | - |
| Current liabilities | | | |
| Finance lease - short term portion | 8 | 491,207 | - |
| Audit Fees Payable | | 57,500 | - |
| Provision for income tax | | 9,491 | 2,764 |
| VAT & TDS Payable | | 2,783 | - |
| Inter-company payable to BRAC EPL Investments Limited | | - | 1,955,000 |
| Liability for ERM CVS validation fees | | - | 2,441,880 |
| | | 560,981 | 4,399,644 |
| Total equity and liabilities | | <u>24,301,477</u> | <u>22,175,396</u> |

These financial statements should be read in conjunction with annexed notes

BRAC Impact Ventures Limited
Statement of Comprehensive Income
For the year ended 31 December 2013

| | 2013 | 2012 |
|-------------------------------------|--------------------|--------------------|
| | <u>Taka</u> | <u>Taka</u> |
| Revenue | - | - |
| Less: Expenses | | |
| Bank charges | 16,526 | 2,658 |
| Board meeting fees | 259,500 | 120,000 |
| Business promotion expenses | 189,750 | 4,308 |
| Salaries & allowances | 782,026 | - |
| Training & development | 42,740 | - |
| Entertainment | 73,724 | 78,088 |
| Membership & dues | 101,500 | - |
| IT & telecommunication expenses | 123,741 | 8,265 |
| Legal & professional fees | 271,000 | 842,600 |
| Utilities & office expenses | 588,683 | - |
| Interest expenses | 353,526 | - |
| Audit Fees | 115,000 | - |
| Stakeholder's consultation expenses | - | 270,973 |
| Printing & stationery expenses | 83,314 | 208,237 |
| Travelling & conveyance | 1,864,672 | 1,239,032 |
| Depreciation expenses | 587,007 | - |
| Loss | (5,452,709) | (2,774,161) |
| Add: Non-operating income | | |
| Interest income | 1,345,381 | 552,677 |
| Profit before income tax | (4,107,328) | (2,221,484) |
| Less: Income tax expenses | 6,727 | 2,764 |
| Profit after tax | (4,114,055) | (2,224,248) |

These financial statements should be read in conjunction with annexed notes

BRAC Impact Ventures Limited
Statement of Changes in Equity
For the year ended 31 December 2013

| Particulars | Amount in Taka | | | |
|-------------------------------------|----------------|---------------|-------------------|-------------|
| | Share capital | Share premium | Retained earnings | Total |
| Balance as on 18 June 2012 | 20,000,000 | - | - | 20,000,000 |
| Net profit/(loss) for the year | | | (2,224,248) | (2,224,248) |
| Balance as on 31 December 2012 | 20,000,000 | - | (2,224,248) | 17,775,752 |
| Net profit/(loss) for the year 2013 | - | - | (4,114,055) | (4,114,055) |
| Balance as on 31 December 2013 | 20,000,000 | - | (6,338,303) | 13,661,697 |

BRAC Impact Ventures Limited
Statement of Cash Flows
For the year ended 31 December 2013

| | 2013 | 2012 |
|--|---------------------|--------------------|
| | <u>Taka</u> | <u>Taka</u> |
| A) Cash flows from operating activities: | | |
| Cash received from customers | - | - |
| Cash paid to suppliers, employees and others | (5,759,297) | (6,910,444) |
| Income tax paid | (127,555) | (44,852) |
| Cash generated from operating activities | (5,886,852) | (6,955,296) |
| <i>Changes in operating assets and liabilities:</i> | | |
| Inter-company payable | (1,955,000) | - |
| VAT & TDS Payable | 2,783 | - |
| Liability for ERM CVS validation fees | (2,441,880) | - |
| Net cash flows from operating activities | (10,280,949) | (6,955,296) |
| B) Cash flows from Investing activities: | | |
| Interest income received | 1,275,548 | 448,510 |
| Acquisition of property, plant & equipment | (130,725) | - |
| Net cash flows from investing activities | 1,144,823 | 448,510 |
| C) Cash flows from Financing activities: | | |
| Issue of capital shares | - | 20,000,000 |
| Long term deposit with IDLC Finance Limited | (640,000) | - |
| Loan from UNFCCC | 7,732,250 | - |
| Finance lease obligations | (715,770) | - |
| Net cash flows from financing activities | 6,376,480 | 20,000,000 |
| Net increase in cash and cash equivalents (A+B+C) | (2,759,646) | 13,493,214 |
| Cash and cash equivalents at the beginning of the year | 13,493,214 | - |
| Cash and cash equivalents at the end of the year | 10,733,568 | 13,493,214 |

BRAC Impact Ventures Limited
Notes to the Financial Statements
For the year ended 31 December 2013

1 Background

BRAC Impact Ventures Limited (hereinafter referred to as "the Company" or "BIVL" interchangeably) was incorporated in Bangladesh on 18th June 2012 as a private company, limited by shares, sponsored by BRAC and its associate entities. The principal activities of the Company for which it was established include that its a "for profit" organization and committed to serve people who are living in the Base of the Pyramid (commonly known as BoP).

1.1 Nature of Business

BRAC Impact Ventures Limited aims to provide services in Climate Change, Agriculture, Water, Housing, Education, Health, Energy, and Financial Sector by creating job, reducing GHG emission, bringing energy efficiency, facilitating asset accumulation, and utilizing suppliers living in the Base of the financial pyramid.

During the period, BIVL applied for obtaining registration from the UNFCCC (United Nations Framework Convention on Climate Change) for a Clean Development Mechanism (CDM) project. The registration process is yet to be completed and operations are yet to commence.

2 Basis of preparation

Statement of compliance

The financial statements of the Company have been prepared on going concern basis under the historical cost convention in accordance with Bangladesh Financial Reporting Standards (BFRS) and Bangladesh Accounting Standards (BAS), the Companies Act, 1994 and other applicable laws and regulations.

2.1 Basis of measurement

The financial statements of the Company under reporting have been prepared under historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP). Wherever appropriate, such principles are explained in the succeeding notes.

2.2 Functional and presentation currency

The financial statements are presented in Bangladesh Taka, which is the Company's functional currency.

2.3 Fixed assets

All fixed assets are stated at cost less accumulated depreciation. Cost includes expenditure directly attributable to the acquisition and installation of the assets. All repairs and maintenance expenses are charged to the statement of comprehensive income during the year when these are incurred.

2.4 Depreciation of fixed assets

Depreciation on all fixed assets has been charged on straight line method considering the economic and useful lives of such assets. Depreciation is charged on addition to fixed asset from the month of acquisition irrespective of the date while no depreciation is charged during the month of disposal.

The rates of depreciation are as follows:

| <u>Category of assets</u> | <u>Rate</u> |
|----------------------------------|--------------------|
| Motor vehicles | 20% |
| IT equipment | 33.33% |

2.5 Lease Obligation

Obligation under finance lease has been recognised as a liability in the balance sheet at an amount equal at the inception of the lease to the lower of fair value of leased property and present value of minimum lease payments. The interest rate implicit in the lease has been used to calculate the present value of the minimum lease payments. The total of minimum lease payments at the end of the reporting period and their present value.

2.6 Use of estimates and judgments

The preparation of financial statements in conformity with BFRS 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.

2.7 Taxation

The current tax has been calculated on the basis of the Finance Act 2013.

2.8 Provision

A provision is recognised 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 General

- i) The Company has not gone into commercial operation and as such , no revenue has been generated during the period.
- ii) Amounts appearing in these financial statements have been rounded off to the nearest Bangladesh Taka.

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

| Assets | Cost | | | | Depreciation | | | | | Amount in Taka |
|-------------------|---------------------------|---------------------------|----------------------------|-----------------------------|--------------|---------------------------|-------------------------|----------------------------|-----------------------------|--|
| | Balance at 1 January 2013 | Additions during the year | Adjustment during the year | Balance at 31 December 2013 | Rate | Balance at 1 January 2013 | Charged during the year | Adjustment during the year | Balance at 31 December 2013 | Written down value at 31 December 2013 |
| Motor vehicles | - | 3,311,944 | - | 3,311,944 | 20% | - | 551,991 | - | 551,991 | 2,759,953 |
| IT equipment | - | 130,725 | - | 130,725 | 33.33% | - | 35,016 | - | 35,016 | 95,709 |
| Total 2013 | - | 3,442,669 | - | 3,442,669 | | - | 587,007 | - | 587,007 | 2,855,662 |

| | 2013 | 2012 |
|----------------------------|-------------------------|-------------------------|
| | <u>Taka</u> | <u>Taka</u> |
| 5 Deferred expenses | <u>9,725,841</u> | <u>8,533,164</u> |

The above expenses represent amount Tk 9,682,478 required for project validation by ERM CVS for obtaining registration from the UNFCCC (United Nations Framework Convention on Climate Change) . During the period, BIVL applied for obtaining registration from the UNFCCC for a Clean Development Mechanism (CDM) project. The registration process is underway and expected to be completed in 2013. Once registration is received, such a project is transferrable as per the UNFCCC Framework for CDM project to third parties at a value. Once the registration is obtained, the amount will be capitalized for amortization over a period to be decided in due course. However, if the registration is not obtained then it will be charged out as expenses in the relevant year.

6 Cash and cash equivalents

| | | |
|----------------------------|--------|--------|
| Cash in hand | 11,625 | 11,025 |
| Bank balances with: | | |

| | | |
|-------------------------------------|--------------------------|--------------------------|
| BRAC Bank Limited | 366,035 | 1,482,189 |
| United Commercial Bank Limited | 355,908 | - |
| Term deposit with BRAC Bank Limited | 10,000,000 | 12,000,000 |
| | <u>10,721,943</u> | <u>13,482,189</u> |
| | <u>10,733,568</u> | <u>13,493,214</u> |

7 Share capital

7.1 Authorized share capital

| | | |
|--|---------------------------|---------------------------|
| 49,000,000 ordinary shares of Taka 10 each | <u>490,000,000</u> | <u>490,000,000</u> |
|--|---------------------------|---------------------------|

7.2 Issued, subscribed and paid-up share capital

| | | |
|---|--------------------------|--------------------------|
| 2,000,000 ordinary shares of Taka 10 each | <u>20,000,000</u> | <u>20,000,000</u> |
|---|--------------------------|--------------------------|

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

| Name of shareholders | Number of shares | Face Value per share | Total Value/Taka |
|----------------------------------|-------------------------|----------------------|--------------------------|
| BRAC | 1,020,000 | 10 | 10,200,000 |
| BRAC Bank Limited | 480,000 | 10 | 4,800,000 |
| BRAC EPL Investments Limited | 250,000 | 10 | 2,500,000 |
| BRAC EPL Stock Brokerage Limited | 250,000 | 10 | 2,500,000 |
| | <u>2,000,000</u> | | <u>20,000,000</u> |

| | 2013 <u>Taka</u> | 2012 <u>Taka</u> |
|--|-----------------------------------|-----------------------------------|
| 8 Finance lease obligation | | |
| Opening balance | - | - |
| Add: Addition during the year | 3,200,000 | - |
| Less: Payments made during the year | 362,244 | - |
| | 2,837,756 | - |
| Less: Current portion- transferred to current liabilities | 491,207 | - |
| | <u>2,346,549</u> | <u>-</u> |

The repayment of lease obligations and repayable amount after the balance sheet date are as follows.

Finance lease liabilities- minimum lease payments

| | | |
|--|-------------------------|-----------------|
| Payable not later than one year | 491,207 | - |
| Payable later than one year but not later than 5 years | 2,346,549 | - |
| | <u>2,837,756</u> | <u>-</u> |

9 General and administrative overhead

During the year, the Company used certain physical facilities of BRAC EPL Investments Limited against which no recovery has been made by the later Company. Similarly, company's general and administrative activities are performed by management and staff of BRAC EPL Investments Limited and no recoveries are made by the later Company. However, no provision for this charges, if any, has been made in the accompany financial statements.

10 Contingent liabilities and commitments

| | | |
|---|-----------|-----|
| i) Contingent liability | 5,326,800 | Nil |
| ii) Claims against the company not acknowledged as debts | Nil | Nil |
| iii) Capital expenditure commitments: | Nil | Nil |
| a) Contracted and incurred but not provided for in the accounts | Nil | Nil |
| b) Approved by the Board but not contracted for | Nil | Nil |

AUDITORS' REPORT
To the shareholders of
BRAC Asset Management Company Limited

We have audited the accompanying financial statements of **BRAC Asset Management Company Limited** which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes and information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), give a true and fair view of the Company's affairs as at 31 December 2013 and of the results of its operations and its cash flows for the year then ended and comply with the Companies Act, 1994 and other applicable laws and regulations

We also report that:

- a) 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;
- 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 company's Statement of Financial Position and Statement of Comprehensive Income together with notes 1 to 8 thereto dealt with by the report are in agreement with the books of account. Dhaka, Chartered Accountants

SD

Dhaka

Chartered Accountants

BRAC Asset Management Company Limited
Statement of Financial Position
As at 31 December 2013

| | | 2013 | 2012 |
|--|---------------------|--------------------------|--------------------------|
| Assets | <u>Notes</u> | <u>Taka</u> | <u>Taka</u> |
| Current Assets | | | |
| Cash at bank | 4 | 61,276,726 | 57,552,785 |
| Advance income tax | 5 | 1,366,805 | 951,923 |
| Total assets | | <u>62,643,531</u> | <u>58,504,708</u> |
| Equity and Liabilities | | | |
| Shareholders' equity | | | |
| Share capital | 6 | 50,000,000 | 50,000,000 |
| Retained earnings | | 7,367,081 | 4,872,254 |
| Shareholders' equity | | 57,367,081 | 54,872,254 |
| Current liabilities | | | |
| Provision for corporate income tax | 7 | 4,417,100 | 2,920,204 |
| Inter-company payable to BRAC EPL Investments Ltd. | | 801,850 | 654,750 |
| Liability for expenses | | 57,500 | 57,500 |
| | | 5,276,450 | 3,632,454 |
| Total equity and liabilities | | <u>62,643,531</u> | <u>58,504,708</u> |

These financial statements should be read in conjunction with annexed notes

BRAC Asset Management Company Limited

Statement of Comprehensive Income

For the year ended 31 December 2013

| | <u>Notes</u> | <u>2013</u> <u>Taka</u> | <u>2012</u> <u>Taka</u> |
|---|--------------|----------------------------|----------------------------|
| Revenue | | - | - |
| Less: Expenses | | | |
| Legal and professional fees | | 89,600 | 100,900 |
| Audit fees | | 57,500 | 57,500 |
| Bank charge | | 10,000 | 345 |
| Loss | | (157,100) | (158,745) |
| Add: Non-operating income | | | |
| Interest income | | 4,148,824 | 3,913,963 |
| Profit before income tax | | 3,991,724 | 3,755,218 |
| Less: Provision for corporate income tax | 7 | 1,496,896 | 1,408,207 |
| Profit after tax | | 2,494,827 | 2,347,011 |

These financial statements should be read in conjunction with annexed notes

BRAC Asset Management Company Limited

Statement of Changes in Equity

For the year ended 31 December 2013

| Particulars | Amount in Tal | | |
|---------------------------------|---------------|-------------------|------------|
| | Share Capital | Retained Earnings | Total |
| Balance as on 31 Decemeber 2011 | 50,000,000 | 2,525,243 | 52,525,243 |
| Net profit for the year | - | 2,347,011 | 2,347,011 |
| Balance as on 31 Decemeber 2012 | 50,000,000 | 4,872,254 | 54,872,254 |
| Net profit for the year | - | 2,494,827 | 2,494,827 |
| Balance as on 31 Decemeber 2013 | 50,000,000 | 7,367,081 | 57,367,081 |

BRAC Asset Management Company Limited

Statement of Cash Flows

For the year ended 31 December 2013

| | 2013 | 2012 |
|--|---------------------------------|---------------------------------|
| | <u>Taka</u> | <u>Taka</u> |
| A) Cash flows from operating activities: | | |
| Cash received from customers | - | - |
| Cash received from other income | 4,148,824 | 3,913,963 |
| Bank Charge | (10,000) | (345) |
| Cash generated from operation | 4,138,824 | 3,913,618 |
| Income tax paid | (414,882) | (491,314) |
| Net Cash generated from operating activities | <u>3,723,942</u> | <u>3,422,304</u> |
| B) Cash flows from investing activities | - | - |
| C) Cash flows from financing activities | - | - |
| D) Net cash flows (A+B+C) | <u>3,723,942</u> | <u>3,422,304</u> |
| E) Cash and cash equivalents at the beginning of the year | <u>57,552,785</u> | <u>54,130,481</u> |
| F) Cash and cash equivalents at the end of the year (D+E) | <u><u>61,276,726</u></u> | <u><u>57,552,785</u></u> |

BRAC Asset Management Company Limited
Notes to the Financial Statements
For the year ended 31 December 2013

1 Background and legal status

BRAC Asset Management Company Ltd (hereinafter referred to as "the Company" or "BAMCL" interchangeably) was incorporated in Bangladesh on 1 April 2010 as a private company limited by shares, sponsored by BRAC and its associate entities.

1.1 Nature of Business

BRAC Asset Management Company Ltd aims to provide services in investment and asset management, portfolio management, capital market operation, financial intermediary services, management and launching of mutual funds, fund management and sponsorship, merchant banking activities, etc. However, the Company has applied for registration from Bangladesh Security and Exchange Commission which is yet to be obtained and yet to commence operations.

2 Basis of preparation

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 Bangladesh Financial Reporting Standards (BFRS) and Bangladesh Accounting Standards (BAS), the Companies Act ,1994 and other applicable laws and regulations.

2.2 Basis of measurement

The financial statements of the Company under reporting have been prepared under historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP). Wherever appropriate, such principles are explained in the succeeding notes.

2.3 Functional and presentation currency

The financial statements are presented in Bangladesh Taka, which is the Company's functional currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with BFRS 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.

2.5 Taxation

The Company is under the purview of Income Tax Ordinance, 1984 and current tax has been calculated on the basis of the Finance Act 2013.

2.6 Provision

A provision is recognised 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 General

- i) The Company has not gone into commercial operation and as such, no revenue has been generated during the period.
- ii) Amounts appearing in these financial statements have been rounded off to the nearest Bangladesh Taka; and
- iii) Figures relating to previous year have been rearranged wherever considered necessary to confirm with current year's presentation.

| | 2013 Taka | 2012 Taka | |
|--|---------------------|-------------------------|---------------------|
| 4 Cash at bank | | | |
| Current account with: | | | |
| BRAC Bank Limited | 61,276,726 | 57,552,785 | |
| 5 Advance income tax | | | |
| Opening balance | 951,923 | 460,609 | |
| Add: Advance made during the year | 414,882 | 491,314 | |
| | 1,366,805 | 951,923 | |
| 6 Share capital | | | |
| 6.1 Authorized share capital | | | |
| 3,000,000 ordinary shares of Taka 100 each | 300,000,000 | 300,000,000 | |
| 6.2 Issued, subscribed and paid-up share capital | | | |
| 500,000 ordinary shares of Taka 100 each | 50,000,000 | 50,000,000 | |
| Composition of shareholdings | | | |
| Name of shareholder | Number of shares | Face Value per share | Total Value/Taka |
| BRAC | 130,000 | 100 | 13,000,000 |
| BRAC Bank Limited | 125,000 | 100 | 12,500,000 |
| BRAC EPL Investments Limited | 125,000 | 100 | 12,500,000 |
| BRAC EPL Stock Brokerage Limited | 120,000 | 100 | 12,000,000 |
| | 500,000 | | 50,000,000 |
| 7 Provision for corporate income tax | | | |
| Opening balance | 2,920,204 | 1,511,997 | |
| Add: Provision made during the year | 1,496,896 | 1,408,207 | |
| | 4,417,100 | 2,920,204 | |

8 General and administrative overhead

- a) During the year, the Company used certain physical facilities of BRAC EPL Investments Limited against which no recovery has been made by the later Company. Similarly, company's general and administrative activities are performed by management and staff of BRAC EPL Investments Limited and no recoveries are made by the later Company. However, no provision for this charges, if any, has been made in the accompany financial statements.
- b) During the year, Directors did not receive any remuneration from the Company.

Glimpses of AGM 2013





Branch, Krishi Branch & SMESC Addresses

| SI No | Branch Name | Branch Address |
|-------|------------------------------------|---|
| 1 | Agrabad Branch | C & F Tower, 1712 Sheikh Mujib Road (1st Floor), Agrabad, Chittagong |
| 2 | Askona Branch | "Askona Community Center & Decorator" 567/1, Haji Camp Road, Askona, Uttara, Dhaka- 1230. |
| 3 | Banani Branch | 10, Kamal Ataturk Avenue, Banani, Dhaka |
| 4 | Baniachong Branch | "Hazi Harun Mansion" Holding# 151, Banyarchong, Hobigonj. |
| 5 | Barishal Branch | S. Rahman Market 204/ 177, Sadar Road, Barisal-8200 |
| 6 | Basundhara Branch | Holding No. 193, Block No. B, Safwan Road, Basundhara R/A, Dhaka- 1229. |
| 7 | Beani Bazar Branch | Haji Abdus Sattar Market, 1st Floor, Beanibazar, Sylhet |
| 8 | Begum Rokeya Sarani, Mirpur Branch | Holding# 129, Senpara Parbata, Ward# 14, Mirpur 10, Dhaka. |
| 9 | Belkuchi Branch | 'Sarkar Mansion", WAPDA Road, Plot/Dag no# 551, 552,Vill.& Post- Chala, Upazilla- Belkuchi, Dist. Sirajgonj. |
| 10 | Bhairab Branch | "JAHANARA MANSION" Dist. Kishoregonj, Sub-Registration Office- BHAIRAB, Mouza- BHAIRABPUR. |
| 11 | Bhola Branch | Mahbuba Market, Holding # 1331-1338, Sadar Road, Bhola. |
| 12 | Biswanath Branch | Didar Shopping Complex (1st Floor), Rampasha Road, Bishawnath, Sylhet |
| 13 | Board Bazar Branch | Holding# 142, Dhaka- Mymensingh Main Road, Union- Gacha, Ward- 05, P.O- National University, P.S- Gazipur Sadar, Gazipur- 1704. |
| 14 | Bogra Branch | Sheikh Mansion, 368/405 Rangpur Road, Borogola, Bogra - 5800 |
| 15 | Bonosree Branch | Plot# 12, Block# C, Main Road, Bonosree, Ward# 22, PO# Khilgaon, Thana# Rampura, Dhaka. |
| 16 | CDA Avenue, Chittagong Branch | Hosna Kalam Complex, CDA Avenue, East Nasirabad, Chittagong City Corporation, Chittagong |
| 17 | Chawk Bazar Branch,Ctg | Al Madina Tower, College Road(Olikha Masjid Road), Ward# 16, Chawk Bazar, P.S- Kotowali, Chittagong. |
| 18 | Chowmohony Branch | "Rupali Bhaban" Proshava Holdings No. 807, Mouja- Hazipur, Sub Registry Office & Post Office - Chowmohani, Thana - Begumganj, Dist. Noakhali- 3821. |
| 19 | Comilla Branch | 682/615, Jhaotala, PS-Kotwali, Comilla |
| 20 | Cox's Bazar Branch | An-Nahar Complex Plot no.1462, Pourshava Holding No. - 3(A)/523, P.S- Cox's Bazar, Post office-Cox's Bazar, District-Cox's Bazar-4700 |
| 21 | Dakhin Khan | "MAJID Bhavan" Holding No. 10, Plot# 115, Shahid Latif Road, Within Sub-Registry- Gulshan, Mouza- Dakshinkhan, DIST. Dhaka. |
| 22 | Dhanmondi (Asad gate) Branch | Plot No -1, Mouza Dakhin - Adab, Asad Gate, Mohammadpur |
| 23 | Dhanmondi Branch | Rupayan Khan Tower, House#500A, Road# 07, Ward# 49, Dhanmondi, Dhaka-1207. |
| 24 | Dohar Branch | 67, Ashraf Ali Chowhury Plaza, Joypara, Dohar, Dhaka-1330 |

| SI No | Branch Name | Branch Address |
|-------|---|---|
| 25 | Donia Branch | Sa Plot No. 342, Holding No. 5455, Dania, PS- Demra, Dist. Dhaka |
| 26 | Elephant Road Branch | Holding- 136, Elepahnt Road, Ward- 52, Dhaka City Corporation, Thana- Dhanmondi, Dist.- Dhaka. |
| 27 | Eskaton Branch | 23 new Eskaton Road, Ramna, Moghbazar, Dhaka. |
| 28 | Ganak Bari Branch | Hasem Plaza (1st Floor), Mouza-548, Dag # 719, Khatian # 40, DEPZ Gate, Ganakbari, Savar, Dhaka |
| 29 | Goalabazar Branch | Anowar Mansion, Holding# 93, Ward# 07, Goalabazar, PS# Osmaninagor, Sylhet. |
| 30 | Gorashal Branch | Ground Floor, Dakkshin Charpara, Holding# 223, Ward# 07, Ghorashal Municipality, Hospital Road, Register Office# Palas, Gorashal- 1613, District- Narshingdi. |
| 31 | Graphics Building Branch, Motijheel, Dhaka. | 9-G Motijheel C/A, Dhaka-1000 |
| 32 | Gulshan Branch | House # 50 (1st Floor), Road # 03, Plot # 02, Block-SW (H)-7, Gulshan-1, Dhaka-1212. |
| 33 | Hajiganj Branch | Holding No# 7/1, Dag No# 591& 592, DP Khatian# 1788, RS Khatian# 1274, Mouza- Makimabad, Dist.- Chandpur, Sub-Registration Office- Hajigonj. |
| 34 | Halishahar Branch | H # 1, R # 1, Block L, Halishahar Housing Estate, Chittagong. |
| 35 | Hobigonj Branch | Holding# 3660, Puran munsefi Road, Hobigonj Municipality, PO: Hobigonj, PS: Hobigonj Sadar, Dist: Hobigonj. |
| 36 | Imamganj Branch | Chawk Corner (1st floor), 1, Nanda Kumar Datta Road, Chawkbazar, Dhaka City Corporation, P.O. - Posta, P.S.- Lalbag, Dist.- Dhaka. |
| 37 | Ishwardi Branch | Mahbub Plaza, Station Road, Holding# 993, Ward# 07, Ishwardi Municipality, PO: Ishwardi, PS: Ishwardi, Dist: Pabna. |
| 38 | Islampur Branch | Bishal Hafez Complex, Holding# 10, Waisghat Road, Ward# 02, Kotowali, Dhaka. |
| 39 | Jaidevpur Branch | "Rahmat Tower", Holding No# 1034, Mouza- Outpara, Sub Registry Office- Gazipur. |
| 40 | Jamalpur Branch | Beauty Plaza, Holding# 1430, Medical Road, Ward# 04, Pourashava & Thana# Jamalpur, Jamalpur- 2000 |
| 41 | Jessore Branch | 35, Rawnak Chamber, MK Road, Jessore |
| 42 | Jubilee Road, CTG Branch | 1st Floor, Haji M Rahman Mansion, 184/A, Anayet Bazar, Chittagong. |
| 43 | Kazir Deori Branch | 'BRAC TARK" 18 SS Khalid Road, Kazir Deori, BS Dag No- 19, BS Khatian No.- 71, JL No.- 07, Mouza- Dhakhin Pahartoli Khulshi, Thana- Kotoali, Chittagong City Corporation, Chittagong. |
| 44 | Keranigonj Branch | Hazi Karim Market (1st Floor), East Aga-Nagar, Gudaraghat Road, Keranigonj, Dhaka-1310 |
| 45 | Khulna Borobazar Branch | 1st Floor, A Hossain Market, 4, Sir Iqbal Road, Khulna |
| 46 | Khulna Branch | "The Daily Probaha Bhaban" KDA Plot No# 3, KDA Avenue, Mouza - Bania Khamar, Khulna. |
| 47 | Madhabdi Branch | Proushava Holdings NO 236. Girls School Road, Madhabdi, Narsingdi- 1604., Sub Registry Office- Narsingdi. |
| 48 | Manda Branch | Holding # 96, (Monkha Bazar) North Manda, Ward No# 2, Union # Manda, Thana # Sabujbagh, Dhaka. |
| 49 | Manikgonj Branch | Chandni Market, Holding# 194, West Dasora, Manikgonj. |
| 50 | Mirpur Branch | H # 13, R # 3, Block A, Section 11, Mirpur, Dhaka. |

| SI No | Branch Name | Branch Address |
|-------|------------------------------|--|
| 51 | Moghbazar Branch | Arong Plaza, 211 Outer Circular Road, Moghbazar, Dhaka |
| 52 | Momin Road Branch | 2, Momin Road, Chittagong |
| 53 | Monohordi Branch, Norshingdi | Sadar Hospital Road, Holding No-30, Ward No-7, Pourasabha: Monohordi, District: Norshindi |
| 54 | Motijheel Branch | 107, Motijheel C/A, Dhaka |
| 55 | Moulvibazar Branch | 1st Floor, Julia Shopping City, 111, Shantibagh Central Road, Moulvibazar. |
| 56 | Munshigonj Branch | Ayub Ali Super Market, Holding# 545, Jamidar Para, Munshigonj Sadar, Munshigonj. |
| 57 | Muradpur Chittagong Branch | Ramna Trade Center, Holding# 36/7, CDA Avenue, Ward# 08, P.O- Chakbazar, Thana# Pachlaish, Dist.# Chittagong. |
| 58 | Mymensingh Branch | 4/B, Shymacharan Roy Road, Mymensingh. |
| 59 | Narayangonj Branch | 147, BB Road, Narayangonj. |
| 60 | Natore Branch | Mokbul Plaza, Holding# 402, Natore. |
| 61 | Natun Bazar Branch | 1st Floor, "Miah Bhai Plaza" 1020, Union - Bhatara, Ward no- 05, P.O- Gulshan-2, P.S- Badda, Natun Bazar, Dhaka- 1212. |
| 62 | Nawabganj Branch | Ground Floor, Isamoti Plaza, Plot No. 415, Dhaka - Bandura Main Road, Nababganj. |
| 63 | Nawabpur Branch | 172, Nawabpur Road (2nd Floor), Ward # 04, Mouza-Shahar Dhaka, P.S-Kotowali, Dist.-Dhaka. |
| 64 | Noapara Branch (Jessore) | "RAHIM TOWER" Station Bazar, Jessore-Khulna Road, Noapara, Jessore, Plot/Dag No# 165, CS Dag No# 1654, SA Khatian No# 484, Mouza- Noapara, JL No- 57, Jessore. |
| 65 | Nobigonj Branch | Khalique Manjil (1st Floor), Hospital Road, PO& PS:Nabigonj,DIST:Habigonj |
| 66 | North Gulshan Branch | Holding# 166 N E (k) 2, Ward No# 19, Gulshan Avenue, Thana- Gulshan-2, Mouza- Bhola Samair, Dist.- Dhaka- 1212. |
| 67 | Patuakhali Branch | "Talukdar Bhaban" Holding 140, Sadar Road, Natun Bazar, Patuakhali, P.O- Patuakhali, P.S- Patuakhali Sadar, Dist. Patuakhali. |
| 68 | Patiya Branch | Patiya Model High School, Arakan Road, Pourshava Holding-1358/Kha, P.S- Patiya, Post office-Patiya, District – Chittagong |
| 69 | Raipur Branch | "Haji Ali Akbar Shopping Complex" at Holding # 384, Ward # 6, Bus Stand (Main Road), Raipur, Laxmipur. |
| 70 | Rajshahi Branch | City corporation Holding No-177, House No-F-695, Kumarpara, P.O- Ghoramara Thana- Boalia, Rajshahi-6100 |
| 71 | Rampura Branch | Khan Tower, Holding# 359, DIT Road, East Rampura, Ward# 98, P.S# East Rampura (Sabek-Khilgaon), Dhaka. |
| 72 | Rangpur Branch | City Plaza, Plot No# 4325&4328, Municipal Holding No# 260, 261, 262, 263, Mouza - Radha Ballav, Station Road, Rangpur. |
| 73 | Satkhira Branch | Tufan Complex, Ground Floor, Holding# 01, Polashpole, Satkhira. |
| 74 | Satmasjid Road Branch | 766, Satmasjid Road, Dhanmondi R/A, Dhaka |
| 75 | Savar Branch | "Amin Tower" Holding# A/44, Ward: 01, Bazar Road, Savar, Dhaka. |
| 76 | Sayedpur Branch | "Sayedpur Plaza" 81, Sher-e-Bangla Road, Thana&P.O- Syedpur, Nilphamary - 5310. |

| SI No | Branch Name | Branch Address |
|-------|-----------------------------------|---|
| 77 | Shamoly Branch | 19-20, Adarsho Chayaneer Housing Society, Ring Road, Shaymoli, Dhaka |
| 78 | Sitakundo Branch | Holding No# 511, Ali Market, DT Road, Amirabad, Sitakunda Municipality, PO & Upozila: Stakunda, Dist: Chittagong. |
| 79 | Sonagazi Branch | Bazar Road, Islam & Son's Building (1st Floor), P.S-Sonagazi, Feni. |
| 80 | Sonargaon Branch | "Sonargaon Shopping Complex", Mouza- Habibpur, Sub-Registry Office: Bayder Bazar, Sonargaon, Narayanganj. |
| 81 | Sylhet Subid Bazar Branch | Pallabi Trade Center, Subid Bazar, Sunamgonj Road, Sylhet |
| 82 | Sylhet Uposhahar Branch | Holding # 3/3, Main Road, Block - D, Shahjalal Upashahar, Ward- 22, Thana- Kotwali, Dist. - Sylhet |
| 83 | Tangail Branch | Tangail Tower, Holding# 541,542&544, Main Road, Tangail. |
| 84 | Tongi Branch | Nasiruddin Sarkar Tower, 2 No. Mymensingh Road, Tongi, Gazipur-1700 |
| 85 | Uttara Branch | Plot # 1, Road # 15, Sector # 3, Uttara, Dhaka |
| 86 | Uttara Jashim Uddin Avenue Branch | "Giant Business Tower", Plot#03 & 3/A, Sector#03, Uttara Model Town, Dhaka-Mymensingh Road, Uttara, Dhaka. |
| 87 | Zinda Bazar Branch | Plot-8170, New Golden City Complex, East Zindabazar, Sylhet |
| 88 | Zinjira Branch | 1st Floor, Mona Trade City, Dakpara, Jinjira Highway, Thana- Keranigonj, Dist: Dhaka. |

Krishi Branch

| SI No | Branch Name | Branch Address |
|-------|--------------------------------|---|
| 1 | Araihazar Krishi Branch | Abbas Market (1st Floor), Araihazar Bazar, Araihazar, Narayanganj. |
| 2 | B.Barua Krishi Branch | Ali Plaza (1st & 2nd floor), 1122/354, Court Road, Pourashava & P.S. - Brahmanbaria, Dist. - Brahmanbaria. |
| 3 | Bagerhat Krishi Branch | Shaikh Mansion, Holding# 226, Main road, Ward# 05, Rahater Mor, 1st floor, Pourashava & Thana# Bagerhat, Dist. Bagerhat |
| 4 | Benapole Krishi Branch | Anu Bhaban, Holding# 492, Benapole, Jessore. |
| 5 | Bhanga Krishi Branch | Bhuiyan Market (1st floor), Holding No. - 414, Thana Road, Bhanga Bazar, Pourashava & P.S. - Bhanga, Dist. - Faridpur. |
| 6 | Bhulta Krishi Branch | Haji Shopping Complex, Ward#04, Rupgonj, Narayanganj. |
| 7 | Chandpur Krishi Branch | Shadana Plaza(1st floor), 514/459, Shahid Muktijoddha Sarak, Chandpur. |
| 8 | Chapai Nawabgonj Krishi Branch | Asha Super Market, Holding# 15, Islampur, Ward# 15, Chapai Nawabgonj. |
| 9 | Chokoria Krishi Branch | Anowar Shopping Complex (1st Floor, Chokoria, Cox's Bazar) |
| 10 | Chuadanga Krishi Branch | Holding No. - 4276 (1st floor), Court Road, Pourashava & P.S. - Chuadanga, Dist. - Chuadanga. |
| 11 | Comilla Krishi Branch | Money Super Market, Holding# 98, Ward# 02, Gorjankhola, Chalkbazar, Dist.# Comilla. |

| SI No | Branch Name | Branch Address |
|-------|---------------------------|--|
| 12 | Demra Krishi Branch | Megna Plaza, Holding# 11, Ward#02, Konapara Bazar, Jatrabari, Dhaka. |
| 13 | Dinajpur Krishi Branch | Holding No. - 47/46, 48/46 (1st floor), Munshipara, Pourashava & P.S. - Dinajpur, Dist. - Dinajpur. |
| 14 | Faridpur Krishi Branch | Swarnamoyee Plaza (1st floor) Holding No - 115 & 115/1, Mujib Sarak, Pourashava - Faridpur, P.S - Kotwali, Dist. - Faridpur. |
| 15 | Feni Krishi Branch | Kazi Center (2nd Floor) 105/106, S. S. K Road, Feni - 3900. |
| 16 | Gabindagonj Krishi Branch | Jawad Plaza (1st floor), Holding No.- 609, Thana Moar, Charmatha, Gobindaganj, Gaibandha. |
| 17 | Ghatail Krishi Branch | Kajim Uddin Super Market, Holding# 752, Ward# 07, Thana# Gatail, Tangail. |
| 18 | Gazipur Krishi Branch | S.S. Complex (1st floor) Ourpara, Chandona Chowrasta, Union - Bashon, P.S.- Joydevpur, District - Gazipur. |
| 19 | Gopalganj Krishi Branch | Holding: 01, Ward: 02, Jahanara Plaza (1st Floor), Madrasha Road, Pourashava: Gopalganj, Dist. Gopalganj |
| 20 | Gouripur Krishi Branch | Madona Garden City, Mouza- Pennai, Gouripur Bazar, Union- Gouripur, Thana- Doudkandi, Dist.- Comilla |
| 21 | Hathazari Krishi Branch | S.M Shopping Center & NoorNahar Plaza, Mouza- Fatika, Union- Dewan Nagar, Thana- Hathazari, Dist.- Chittagong. |
| 22 | Jhalokathi Krishi Branch | Holding# 67,68, Monohori Potti Road, Jhalokathi Pourashava, Jhalokathi. |
| 23 | Jhenaidah Krishi Branch | House No - 23 (1st floor), Agnibina Sarak, Jhenaidah. |
| 24 | Joypurhat Krishi Branch | Shahjahan Mansion (1st floor), Holding No. - 0554-00, Sadar Road, Joypurhat. |
| 25 | Kishoregonj Krishi Branch | Achol Super Market (1st floor), 137, New Market, Pourashava & P.S. - Kishoreganj, Dist - Kishoreganj. |
| 26 | Konabari Krishi Branch | Noor Mansion (Ground Floor), Mouza- Mirpur, Union- Konabari, Thana & Dist.# Gazipur. |
| 27 | Kustia Krishi Branch | 14, Quaderi Super Market (1st floor), R. A. Khan Chowdhury Road, Panch Rastar Moar, Shapla Chattar, Mouja - Mojompur, Pourashava & P.S. - Kushtia, Dist.- Kushtia. |
| 28 | Laxmipur Krishi Branch | F. K. Mansion (1st floor), Holding No. - 1128, Mouja - Banchanagar, Godown Road, Pourashava - Lakshimpur, P.S. - Sadar, Dist. - Lakshimpur. |
| 29 | Lohagara Krishi Branch | Best Chowdhury Plaza, Busstation (Amirabad), Lohagara, Chittagong. |
| 30 | Madaripur Krishi Branch | Kazi Abdur Rashid & Kazi Abdul Majid Plaza, Kazir Moar, Purana Bazar, Main Road, Madaripur. |
| 31 | Magura Krishi Branch | Alam Complex, Holding# 164, M.R Road, Ward# 09, Magura. |
| 32 | Maijdee Krishi Branch | Mofiz Plaza (1st floor), Holding No. - 630-631, Mouja - Fakirpur, Main Road, Sadar, Pourashava - Noakhali, P.S. - Sudharam, Dist. - Noakahali. |
| 33 | Muktagacha Krishi Branch | Holding-62, Muktagacha - Mymensing Road, Muktagacha, Mymensingh. |
| 34 | Naogaon Krishi Branch | JR Super Market, Holding# 2759/3374, Ward# 03, Naogaon. |
| 35 | Netaigonj Krishi Branch | 19 RKD Das Road, Netaigonj, Narayangonj-1400. |
| 36 | Netrokona Krishi Branch | Hilloi Market, Holding# 422, Teribazar, Ward# 06, Mouza# Satpai, Netrokona. |
| 37 | Norshingdi Krishi Branch | Kazi Super Market (1st floor), 3, C & B Road, Pourashava & P.S. - Narsingdi, Dist. - Narsingdi. |

| SI No | Branch Name | Branch Address |
|-------|----------------------------------|---|
| 38 | Pabna Krishi Branch | 48, Abdul Hamid Road (1st floor), Pourashava - Pabna, P.S. - Sadar, Dist. - Pabna. |
| 39 | Panchagarh Krishi Branch | 1st Floor, Alochaya Super Market, H# 644, Natun Basti, Alochaya Cinema Road, Panchagarh. |
| 40 | Pirojpur Krishi Branch | “Chandni Super Market”, Holding# 279, Khalifa Patty Road, Pirojpur Sadar, Pirojpur. |
| 41 | Rajbari Krishi Branch | Nazar Mawla Plaza (1st Floor), Holding No. - 0072-09, Main Road, Pourashava - Rajbari, PS. - Sadar, Dist - Rajbari. |
| 42 | Shahjadpur Krishi Branch | Aziz Mansion (1st floor), Holding No.-136,137,137/1, Monirampur Bazar, Shahjadpur, Sirajganj. |
| 43 | Shampur Krishi Branch | 16, Shampur Bazar, Faridabad, Shampur, Dhaka. |
| 44 | Sherpur Krishi Branch | Bhuiyan Plaza (1st floor), 175, Munshi Bazar Road, Pourshava & P.S. - Sherpur, Dist. - Sherpur. |
| 45 | Sirajgonj Krishi Branch | M.H Khan Plaza (1st Floor), Holding No. 521-522, S.S Road, Sirajgonj. |
| 46 | Swarupkathi Krishi Branch | Haque Mansion (1st Floor), Nuton Road, Miarhat, Kowrikhara, Nesarabad, Swarupkathi, Pirojpur. |
| 47 | Sylhet South Surma Krishi Branch | 1st Floor, Jaigirdar Plaza, Proposed Holding # 2999, Varthakhola, Station Road, Sylhet. |
| 48 | Thakurgaon Krishi Branch | Nurjahan Plaza, Holding# 1322, Shahid Mohammad Ali Sharak, Thakurgaon. |

SME Service Center

| SI No | Branch Name | Branch Address |
|-------|---------------|---|
| 1 | Asadgonj | M. K. Heights (1st floor), 418, Khatunganj, P.O. - Lama Bazar, P.S. - Kotwali, Dist. - Chittagong. |
| 2 | Badda | Sand Stone, Holding# Gha 9/3, Progati Shmarani, Ward# 18, Badda, Thana # Gulshan, Dist.# Dhaka. |
| 3 | Bahadderhat | Mamtaz Tower, 4540 Arakan Road, Bahaddarhat, Chittagong. |
| 4 | Bandartila | S. A. Plaza (1st floor), 1610, Airport Road, Ali Shah Para, Dokkhin Haliashar, Sailor's Colony, P.S. - Bandar, Dist. - Chittagong |
| 5 | Khilgaon | Plot # 926/C, Khilgaon Rehabilitation Area, Ward# 24, Thana- Khilgaon, Dist.# Dhaka |
| 6 | Bondor | Gulistan Complex, Holding# 2361, Lal digir par, Sylhet |
| 7 | Dholaikhal | Nahar Complex, Holding# 10/1, Ananda Mohon Basak Lan, Nayabazar, Ward# 71, Thana- Kotwali, Dist.- Dhaka. |
| 8 | Elephant Road | Holding# 334 Shaeed Janany Jahanara Imam Sharani, PS# Dhanmondi, Dhaka. |
| 9 | Gulistan | Holding# 180, Siddique Bazar, Ward- 69, 5 no. Shahid Swaed Nazrul Islam Shmarani (North South Road), Thana- Kotwali, Dhaka- 1000 |
| 10 | Hazaribag | Holding# 73, Nilambor Shah Road, Ward# 58, Thana# Lalbag, Dhaka. |
| 11 | Jatrabari | Monsoor Complex, Holding# 249/B/2, South Jatrabari, Ward# 86, Thana# Jatrabari, Dhaka |

| SI No | Branch Name | Branch Address |
|-------|---------------|--|
| 12 | Kadamtoli | Sultan Market, Holding# 1975, D.T Road, Ward- 23, Thana# Double Mooring, Dist.- Chittagong |
| 13 | Kawran Bazar | Ali Bhaban, Holding# 92, Kazi Nazrul Islam Avenue, Ward# 39, Thana# Tejgaon Dist.# Dhaka. |
| 14 | Mirpur | B.N.S.B Bhaban, Plot# 1,2,3, Block# A, Section# 1, Ward# 12, Thana# Mirpur, Dist.# Dhaka. |
| 15 | Mohammadpur | Holding# 25/2, Ward# 42, Block# C, Tajmahol Road, Mohammadpur, Dhaka- 1207 |
| 16 | Motijheel | "Shaan Tower" 10 Storied Building, 24/1 Chamilibagh, shantinagar. Dhaka - 1217 |
| 17 | Pahartoli | Haji Abul Khair Bhaban, Holding# 3263/3833, South Kaptoli, D.T Road, Ward# 10, Thana- Pahartoli, Dist.- Chittagong |
| 18 | Panthapath | AKHANKHA Baniya Bhaban 57/E, East Rajabazar, Thana# Tejgaon, Panthapath, Ward# 40, Dist.# Dhaka. |
| 19 | Purana Palton | TEPA Complex, Holding- Hal-169, Shahid Swaed Nazrul Islam Sharani, Ward-36, Thana- Palton, Dist.- Dhaka. |
| 20 | Shambazar | 78/6, Loyel Street (1st & 2nd floor), Patuatuli Road, Dhaka City Corporation, P.S.- Kotwali, Dist. - Dhaka. |
| 21 | Uttara | Holding# 18, Sonargaon Janapath, Sector# 09, Uttara-1230. |



Registered office: 1Gulshan Avenue, Gulshan -1, Dhaka.
Company Secretariat, Share office: 220/B, Tejgaon I/A
Dhaka-1212, Bangladesh

Proxy Form

I/We.....of.....
.....being a member of BRAC Bank Limited and entitled to vote, do hereby appoint
Mr./Ms..... of as my proxy to
attend and vote for me on my/our behalf at the 15th Annual General Meeting of the company to be held on April 10, 2014
at 10:00 a.m. at BRAC Centre for Development Management (B-CDM), Khagan, Savar or at any adjournment thereof.

Signed thisday of (Month) 2014

Signature of proxy

Signature of Shareholder.....

BO ID No.....

No. of shares.....

Affix Revenue
Stamp of TK. 20.00

Note: This Proxy Form, duly completed, must be deposited at least 72 (seventy two) hours before the schedule time of the meeting at the company's Share Department. Proxy shall be invalid if not signed and stamped as explained above. Signature of the shareholders should agree with the specimen signature registered with the company /Depository Participant(s)



Registered office: 1Gulshan Avenue, Gulshan -1, Dhaka.
Company Secretariat, Share office: 220/B, Tejgaon I/A
Dhaka-1212, Bangladesh

Attendance Slip

I hereby record my attendance at the 15th Annual General Meeting of the Company being held on April 10, 2014 at 10:00 a.m. at BRAC Centre for Development Management (B-CDM), Khagan, Savar.

Name of the Member/Proxy.....

BO ID of Shareholder:

No of Shares:

Signature & Date:

Notes: Shareholders attending the meeting in person or by proxy are requested to complete the Attendance Slip and deposit the same at the entrance of the meeting Hall. Any friend or children accompanying with the honorable shareholders/Proxy will not be allowed to the meeting.

BRAC Bank Limited

1 Gulshan Avenue, Gulshan -1
Dhaka 1212, Bangladesh
www.bracbank.com