

FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016



BRAC BANK

আমরা এগিয়ে চলছি

Auditors' 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 2016, consolidated and separate Profit and Loss Accounts, consolidated and separate 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 Banking Companies 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 forgery.

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 2016, 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, the Securities and Exchange Rules 1987, the Banking Companies Act, 1991 and the rules and regulations issued by Bangladesh Bank, we also report that:

- 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;
- 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 forgery 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 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 or exception or anything detrimental committed by employees of the Bank and its related entities;

(iii) financial statements of three subsidiaries namely, BRAC EPL Investments Limited, BRAC EPL Stock Brokerage Limited and BRAC IT Services Limited have been audited by us and another two subsidiaries namely, bKash Limited and BRAC SAJJAN Exchange Limited have been audited by Rahman Rahman Huq and Reddy Siddiqui & Kabani respectively 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 and with 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 spending over 4,000 person hours; and

(xii) Capital Adequacy Ratio (CAR) as required by the Bangladesh Bank has been maintained adequately during the year.

Dated, Dhaka, 20 March, 2017

A. Qasem & Co.
Chartered Accountants

BRAC BANK LIMITED Consolidated Balance Sheet As at 31 December 2016				
Particulars	Notes	2016 Taka	2015 Taka	
PROPERTY AND ASSETS				
Cash	3.a	15,827,759,714	16,227,438,475	
Cash in hand		5,641,271,407	5,634,556,964	
(Including foreign currency)		-	-	
Balance with Bangladesh Bank and its agent Banks (including foreign currency)		10,416,488,307	10,592,881,511	
Balance with other Banks and Financial Institutions	4.a	31,148,142,995	24,790,485,928	
Inside Bangladesh		29,024,134,806	20,030,174,259	
Outside Bangladesh		2,124,008,189	4,760,311,669	
Money at call and short notice				
Investments	6.a	22,987,709,817	20,017,491,682	
Government		17,045,441,243	14,979,456,068	
Others		5,892,268,574	5,038,035,614	
Loans and advances	7.a	175,841,420,512	149,934,139,696	
Loans, cash credit, overdrafts etc.		112,728,439,606	95,761,978,987	
Small and medium enterprises		61,385,461,566	52,884,165,867	
Bills purchased & discounted		1,927,519,928	1,287,994,847	
Fixed assets including premises, furniture and fixture	8.a	4,233,151,008	4,038,487,515	
Other assets	9.a	16,891,450,083	15,119,796,302	
Non-banking assets	10	62,230,075	62,230,075	
Goodwill	11	1,382,151,929	1,412,198,710	
Total Property and Assets		268,324,018,065	231,602,270,383	

LIABILITIES AND CAPITAL				
LIABILITIES				
Borrowings from other banks, financial institutions & agents	12.a	19,131,258,722	17,711,894,522	
Borrowings from Central Bank	13.a	6,782,978,397	4,527,813,643	
Convertible Subordinated Bonds	14.a	2,961,079,000	3,000,000,000	
Money at Call and Short notice	15.a	1,303,750,000	3,780,000,000	
Deposits and other accounts	16.a	181,478,177,590	149,545,186,939	
Current accounts & other accounts		18,657,447,471	18,520,154,895	
Bills payable		1,309,401,487	843,532,886	
Savings deposits		31,368,696,186	29,105,666,319	
Fixed deposits		80,737,078,388	60,309,522,433	
Other deposits		1,406,154,121	1,059,312,410	
Other liabilities	17.a	32,966,273,573	31,455,641,627	
Total Liabilities		244,584,117,282	210,083,478,731	
Capital and Shareholders' Equity				
Paid up share capital	18.2	7,104,369,100	7,092,873,210	
Share premium	18.a	3,659,942,031	3,622,522,880	
Statutory reserve	19.a	3,470,350,332	3,470,350,332	
Dividend Equalization Fund	20	355,218,455	-	
Revaluation Reserve on Govt. Securities	21.1.a	111,643,709	219,539,410	
Assets Revaluation reserve	21.2.a	516,373,535	516,373,535	
Surplus in profit and loss account/Retained Earnings	22.a	5,224,376,341	3,827,683,467	
Total shareholders' equity		22,264,106,438	20,190,063,305	
Minority Interest	23	1,475,794,376	1,328,728,347	
Total equity		23,739,900,813	21,518,791,652	
Total Liabilities and Shareholders' Equity		268,324,018,065	231,602,270,383	

Off Balance Sheet Items				
Contingent liabilities				
Acceptances and endorsements	24	20,015,403,528	12,967,621,606	
Irrevocable letter of credits	24	20,609,044,537	20,193,505,068	
Letter of guarantees	24.3	6,357,188,894	5,765,094,383	
Bills for collection	24.4	1,815,432,730	1,810,581,090	
Tax liability	24.5	43,700,000	43,700,000	
Other contingent liabilities		8,369,848,874	9,173,220,373	
Total Contingent liabilities		57,210,618,563	49,963,722,520	
Other commitments				
Documentary credits and short term trade related transactions		-	-	
Forward assets purchased and forward deposits placed		-	-	
Undrawn note issuance and revolving underwriting facilities		-	-	
Undrawn formal standby facilities, credit lines and other commitments		-	-	
Total other commitments		-	-	
Total Off-Balance Sheet Items including contingent liabilities	24.a	57,210,618,563	49,963,722,520	

These Financial Statements should be read in conjunction with the annexed notes.

A. Qasem & Co.
Chartered Accountants

Dated, Dhaka, 20 March, 2017

BRAC BANK LIMITED Balance Sheet As at 31 December 2016				
Particulars	Notes	2016 Taka	2015 Taka	
PROPERTY AND ASSETS				
Cash	3	15,820,785,236	16,206,841,383	
Cash in hand		5,404,296,928	5,613,959,672	
(Including foreign currency)		-	-	
Balance with Bangladesh Bank and its agent Banks (including foreign currency)		10,416,488,307	10,592,881,511	
Balance with other Banks and Financial Institutions	4	15,396,993,079	22,319,441,398	
Inside Bangladesh		13,337,028,475	17,705,308,414	
Outside Bangladesh		2,029,964,604	4,614,132,984	
Money at call and short notice	5	22,487,069,910	19,779,262,144	
Investments	6	22,487,069,910	19,779,262,144	
Government		17,045,441,243	14,979,456,068	
Others		5,442,555,467	4,799,796,076	
Loans and advances	7	173,612,041,512	147,433,607,286	
Loans, cash credit, overdrafts etc.		110,499,060,019	93,261,446,572	
Small and medium enterprises		61,385,461,566	52,884,165,867	
Bills purchased & discounted		1,927,519,928	1,287,994,847	
Fixed assets including premises, furniture and fixture	8	2,885,811,676	2,937,117,061	
Other assets	9	18,369,599,010	15,753,923,195	
Non-banking assets	10	62,230,075	62,230,075	
Total Property and Assets		248,605,457,497	224,492,412,542	
LIABILITIES AND CAPITAL				
LIABILITIES				
Borrowings from other banks, financial institutions & agents	12	18,838,239,195	15,532,693,400	
Borrowings from Central Bank	13	6,782,978,397	4,527,813,643	
Convertible Subordinated Bonds	14	2,961,079,000	3,000,000,000	
Money at Call and Short notice	15	1,303,750,000	3,780,000,000	
Deposits and other accounts	16	186,869,571,738	150,220,514,482	
Current accounts & other accounts		18,657,447,471	18,520,154,895	
Bills payable		1,309,401,487	843,532,886	
Savings deposits		31,368,696,186	29,105,666,319	
Fixed deposits		84,504,303,337	70,054,460,049	
Other deposits		1,406,154,121	1,063,137,025	
Other liabilities	17	28,469,067,732	28,815,982,313	
Total Liabilities		227,194,686,092	205,677,000,838	
Capital and Shareholders' Equity				
Paid up share capital	18.2	7,104,369,100	7,092,873,210	
Share premium	18.7	3,659,942,031	3,622,522,880	
Statutory reserve	19	3,470,350,332	3,470,350,332	
Dividend Equalization Fund	20	355,218,455	-	
Revaluation Reserve on Govt. Securities	21.1	111,643,709	219,539,410	
Assets Revaluation reserve	21.2	516,373,535	516,373,535	
Surplus in profit and loss account/Retained Earnings	22	6,222,874,273	3,893,752,337	
Total shareholders' equity		21,440,774,436	18,815,441,743	
Total Liabilities and Shareholders' Equity		248,605,457,497	224,492,412,542	

Particulars	Notes	2016 Taka	2015 Taka
Interest income	26	17,842,334,464	17,372,892,072
Interest paid on deposits and borrowing etc.	27	7,035,581,830	8,699,040,394
Net interest income		10,806,752,634	8,673,851,678
Investment income	28	2,543,593,402	2,453,545,382
Commission, exchange and brokerage	29	2,537,889,726	2,914,261,015
Other operating income	30	1,340,912,019	1,042,313,532
Total operating income		17,229,147,781	16,083,637,607
Salaries and allowances	31	3,507,163,911	2,961,642,461
Rent, taxes, insurance, electricity etc.	32	1,148,406,728	957,364,997
Legal expenses	33	60,611,079	75,358,034
Postage, stamps, telecommunication etc.	34	241,582,356	262,499,795
Stationery, printing, advertisement etc.	35	202,780,149	312,208,500
Chief Executive's salary & fees	36	1,339,000	14,260,584
Directors' fees & expenses	37	1,335,600	681,700
Auditors' fee	38	1,224,753	955,000
Depreciation and repairs to bank's assets	39	96,348,367	896,208,905
Other expenses	40	1,878,618,403	1,800,809,882
Total operating expenses		9,962,380,936	7,285,980,818
Profit/(loss) before provisions		9,266,766,845	8,797,656,789
Provision for:			
Loans and advances		2,295,985,335	3,067,455,564
Diminution in value of investments		240,000,000	-
Off balance sheet items		62,500,000	69,673,337
Others		-	-
Total provision	41	2,418,485,335	3,177,129,901
Profit/(loss) before taxes		7,148,281,520	5,620,526,888
Provision for Tax:			
Current tax expense		2,629,520,878	2,250,022,595
Deferred tax expense / (income)		68,327,075	(64,193,258)
Total provision for Tax	42	2,697,848,954	2,185,829,341
Total profit/(loss) after taxes		4,450,432,566	3,434,697,547
Appropriations:			
Statutory reserve		-	-
General reserve		-	-
Dividend etc.		-	-
Retained earnings		4,450,432,566	2,435,589,547
Earnings Per Share (EPS)			
43		6.28	3.43

FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

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As such the Group and the Bank has departed 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

BAS/BFRS: As per requirements of BAS 39 Financial Instruments: Recognition and Measurement, 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 recognized at cost.

ii) Revaluation gain/loss on Government securities

BAS/BFRS: As per requirement of BAS 39 Financial Instruments: Recognition and Measurement, 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 recognized in Profit or Loss Account and amortized 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/corred under RT-bonds) which are categorized 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 amortized cost method but interest income/gain should be recognized through other reserve as a part of equity.

iii) Provision on loans and advances

BAS/BFRS: As per BAS 39 Financial Instruments: 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, BRPD Circular no. 19 dated 27 December 2012, BRPD Circular no. 05 dated 29 May 2013 and BRPD Circular no. 14 dated 18 November 2014, a general provision at 25%-5% under different categories of unclassified (standard/SMA loans) should be maintained regardless of objective evidence of impairment. Also, specific provision for sub-standard loan, doubtful loans and losses should be provided at 20%, 50% and 100% respectively for loans and advances depending on the duration of overdue. Moreover, 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

BAS/BFRS: As per BAS 1 Presentation of Financial Statements: other comprehensive income is a component of financial statements or the elements of other comprehensive income are to be included in single comprehensive income statements.

"Bangladesh Bank: Bangladesh Bank has issued 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 other comprehensive income (OCI) statements. As such the bank does not prepare the other comprehensive income statement.

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 Financial Instruments. As such some disclosure and presentation requirements of BFRS 7 Financial Instruments: Disclosures and BAS 32 Financial Instruments: Presentation, cannot be made in the accounts.

vi) REPO transactions

BAS/BFRS: 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 DOS Circular letter no. 6 dated 15 July 2010 and subsequent clarification in DOS circular no. 2 dated 23 January 2013, when a bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo or stock lending), the arrangement is accounted for as a normal sales transactions and the financial assets are derecognized in the seller's book and recognized in the buyer's book."

However, as per DMD circular letter no. 7 dated 29 July 2010, non primary dealer banks are eligible to participate in the Assured Liquidity Support (ALS) programme, whereby such banks may enter collateralized repo arrangements with Bangladesh Bank. Here the selling bank accounts for the arrangement as a loan, thereby continuing to recognize the asset.

vii) Financial guarantees:

BAS/BFRS: As per BAS 39 Financial Instruments: Recognition and Measurement, financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of debt instruments. Financial guarantee liabilities are recognized initially at their fair value and the initial fair value in 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, dated 25 June 2003, financial guarantees such as Letter of Credit, Letter of Guarantee should be treated as off balance items. no liability is recognized for the guarantee except the cash margin.

viii) Cash and cash equivalents

BAS/BFRS: Cash and cash equivalents items should be reported as cash item as per BAS 7 Statement of Cash Flows.

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 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 Bangladesh Bank and other banks.

ix) Non banking assets

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

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

x) Cash flow statement

BAS/BFRS: As per BAS 7 Statement of Cash Flows, Cash flow statement can be prepared either in direct method or in indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected was applied consistently.

Bangladesh Bank: As per BRPD 14, dated 25 June 2003, cash flow should be a mixture of direct and indirect method.

xi) Balance with Bangladesh Bank:

BAS/BFRS: Balance with Bangladesh Bank should be treated as other asset as it is not available for use in day to day operations as per BAS 7 Statement of Cash Flows.

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

xii) Presentation of intangible asset

BAS/BFRS: Intangible asset must be identified and recognized, and the disclosure must be given as per BAS 38 Intangible Assets.

Bangladesh Bank: There is no requirement for regulation of intangible assets in BRPD circular 14, dated 25 June 2003.

xiii) Off Balance Sheet items

BAS/BFRS: 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. Letter of Credit, Letter of Guarantee, Acceptance should be disclosed separately on the face of balance sheet.

xiv) Disclosure of appropriation of profit

BAS/BFRS: There is no requirement to show appropriation of profit on the face of statement of Profit and Loss Account.

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

xv) Loans and Advance Net of Provision

BAS/BFRS: Loans and advances should be presented net of provision.

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

[Also refer to (note 2.14) Compliance of Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs)]

2.1.2 Going Concern

The accompanying financial statements have been prepared on a going concern assumption that the Bank is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the Bank has neither the intention nor the need to liquidate or curtail materially the scale of its operation. The accompanying financial statements do not include any adjustments should the Bank be unable to continue as a going concern.

2.1.3 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.

2.1.4 Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The key item which involve these judgments, estimates and assumptions are discussed below.

Impairment losses on loans and advances:

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

2.1.5 Materiality and aggregation

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

2.1.6 Comparative information

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

2.2 Basis of Consolidation

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

The consolidated financial statements have been prepared in accordance with Bangladesh Accounting Standard (BAS) 27: Consolidated and Separate financial statements and Bangladesh Financial Reporting Standard (BFRS) 10: Consolidated Financial Statements. The consolidated financial statements are prepared to a common reporting year ended 31 December 2016.

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 and Separate Financial Statements and BFRS 10: Consolidated Financial Statements. 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 inter 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: 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 the financial statements under the "equity method". Under the equity method, the investment is initially recorded at cost and the carrying amount is increased or decreased to recognize the

investor's share of the profits or losses of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognized in the investor's profit and loss account. Distributions received from an investee reduce the carrying amount of the investment.

2.3 Foreign Currency Translations

Monetary Items:

Foreign currency transactions are translated into equivalents Taka (Functional currency) currency at spot exchange rate at the date of transaction.

Non-monetary Items:

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 travelers cheque and import bills for which the buying rates are used on the date of transactions.

Gain and Losses:

Gains or losses arising (on monetary items) from fluctuation of exchange rates are recognized in profit and loss account.

Commitments:

Commitments for outstanding forward foreign exchange have included in the profit and loss statement, except those arising on the translation of net investment in foreign subsidiaries.

Foreign operations

The results of financial statements of the Bank whose functional currency is not Bangladesh Taka are translated into Bangladesh taka as follows:

a. assets and liabilities for each statement of balance sheet have been translated at the closing rate on the date of balance sheet

b. income and expenses for the profit and Loss account have been translated at monthly average rate.

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

2.5.1 Current Tax:

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

Provision for current income tax has been made @ 40% as prescribed in the Finance Act-2016 on the taxable income.

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 recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses and credits can be utilized.

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

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

2.6 Reporting period

These financial statements cover one calendar year from 01 January to 31 December 2016.

2.7 Significant Accounting Policies:

The accounting policies set out below have applied consistently to all the periods presented in these financial statements and have been applied consistently by the bank.

2.7.1 Assets and the basis of their valuation

2.7.1.1 Cash and cash equivalents

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

Cash flow statement is prepared in accordance with BAS-7 " Statement of Cash Flows". However cash flows from operating activities have been presented according to the format mentioned in BRPD circular 14, dated 25 June 2003.

2.7.1.2 Investments

All investments in 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 hold to maturity, other than those that meet the definition of "Held at amortized cost others" are classified as held to maturity. These investments 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 held for trading by the management. After initial recognition , investment are measured at present value and any change in the fair value is recognized in the statement of income for the period in which it arises. Transaction costs, if any, are not added to the value of investments at initial recognition.

Revaluation

According to DOS Circular no.-05, dated 26 May 2008, DOS Circular no.-05, dated 28 January 2009, DOS Circular no.-02, dated 19 January 2012, the HFT securities are revalued once each week using Marking to Market method and the HTM securities are amortized in 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.

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
Government Treasury Bills (HTM)	Cost	Amortized cost	Increased or decreased in value to equity
Government Treasury Bonds (HFT)	Cost	Marking to Market/fair value	Loss to profit and loss a/c, gain to revaluation reserve
Government Treasury Bonds (HTM)	Cost	Amortized cost	Amortized Gain/ Loss to Revaluation reserve
Zero Coupon Bond	Cost	none	none
Price Band and Other Bond	Cost	none	none
Debentures	Cost	At Cost Price	none
Unquoted Shares (ordinary)	Cost	Cost	none
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 other 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.

Investment in quoted securities

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

Investment in unquoted securities

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

As per Bangladesh Bank DOS Circular # 04 dated 24 November 2011, provision for diminution in value of investment was made by netting off unrealized gain/loss of shares from market price/book value less cost price.

Besides, bank complied with Bangladesh Bank BRPD Circular 14 dated June 25, 2003 as follows, "All investment in shares and securities (both dealing and investment) should be revaluated at the year-end. The quoted shares should be valued as per market price in the stock exchange(s) and unquoted shares as per book value of last audited balance sheet. Provision should be made for any loss arising from diminution in value of investment".

Investment in subsidiary

Investment in subsidiary is accounted for under the cost method of accounting and presented in the Bank's consolidated financial statements as that of a single economic entity in accordance with the BAS 27 " Consolidated and Separate Financial Statements" and BFRS 10 "Consolidated Financial Statements".

2.7.1.3 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. 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. 27, dated August 31,2010 and recognized as income on realization as per BRPD circular no. 14 and 15, dated September 23, 2012.

The classification rates are given below:

Consumer	Business Unit	Rates of Provision			
		Un-classified (UC)		Classified	
		Standard	Special Mention (SMA)	Substandard (SS)	Doubtful (DF)
House building and loans for professionals		2%	2%	20%	50%
					100%
	Other than house building and professionals	5%	5%	20%	50%
					100%
	Loans to BHS/ MBS against share etc.	2%	2%	20%	50%
					100%
	Small and medium enterprise	0.25%	0.25%	20%	50%
All others		2.5%	-	5%	5%
					100%
	Off Balance Sheet	1%		20%	50%

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 no. 02 dated 13 January 2003 and 13 dated 07 November 2013. These write off however, will not undermine/affect the claim amount against the borrower. Detailed memorandum records for all such write off accounts are meticulously maintained and followed up.

2.7.1.4 Impairment of Financial Assets

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

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

2.7.1.5 Leases

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

The Bank as Lessor

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

The Bank as Lessee

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

2.7.1.6 Property, plant and equipment

a) Recognition and Measurement

"All fixed assets are stated at cost less accumulated depreciation as per BAS 16 "Property Plant and Equipment". Land is measured at cost.The cost of an item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity; and the cost of the item can be measured reliably.The cost of the items of property, plant and equipment comprises: i) its purchase price, including import duties and non refundable purchase tax, after deducting trade discount and rebates; ii) any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;c) the initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as consequence of having used the item during a particular period of purpose other than to produce during that period."

Subsequent costs

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

b) Depreciation

Land is not depreciated. Depreciation is charged on straight-line basis. In case of acquisition of fixed assets, depreciation 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:

Category of assets	BRAC Bank Limited	BRAC EPL Investments Limited	BRAC EPL Stock Brokerage Limited	B-Kash Limited	BRAC IT Services Limited	BRAC Saajan Exchange Limited
Furniture and fixture	10%	10%	12.5%	10%	10%	10%
Building	2.5%	5%	2%	20%	10%	10%
Office equipment	20%	20%	20%	20%	10%	10%
IT equipment - Hardware	20%	25%	20%	20%	20%	-
IT equipment- PC, Laptop, UPS, Printer and scanner	33.33%	33.33%	25%	33.33%	33%	33.33%
IT equipment - Software	20%	33.33%	33.33%	20%	20%	20%
Mobiles and accessories	20%	20%	20%	20%	20%	33.33%
Office Decoration	-	15%	15%	20%	20%	-
Air Cooler and Ceiling Fan	-	-	20%	-	20%	-
Generator and Multimedia	-	-	-	-	20%	-
Server	-	-	-	-	20%	-

ANALYTICAL TRENDS

AS AT 31st DECEMBER 2016

31 DECEMBER 2016



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

Name of the standards	Ref.	Status
First-time adoption of International Financial Reporting Standards	BFRS-1	Not Applicable
Revenue based Payables	BFRS-2	Not Applicable
Business Combinations	BFRS-3	Not Applicable
Insurance Contracts	BFRS-4	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	Not Applicable
Operating Segments	BFRS-8	Applied
Financial Instruments	BFRS-9	Applied
Consolidated Financial Statements	BFRS-10	Applied
Joint Arrangements	BFRS-11	Not Applicable
Disclosure of Interests in Other Entities	BFRS-12	Not Applicable
Fair Value Measurement	BFRS-13	Not Applicable
Regulatory Deferral Accounts	BFRS-14	Not Applicable
Revenue from Contracts with Customers	BFRS-15	Not Applicable
Presentation of Financial Statements	BAS-1	Applied
Inventories	BAS-2	Applied
Statement of Cash Flows	BAS-7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	BAS-8	Applied
Events after the Reporting Period	BAS-10	Applied
Construction Contracts	BAS-11	Not Applicable
Income taxes	BAS-12	Applied
Property, Plant and Equipment	BAS-16	Applied
Leases	BAS-17	Applied
Revenues	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 Exchange Rates	BAS-21	Applied
Borrowing Cost	BAS-23	Applied
Related party Disclosures	BAS-24	Applied
Accounting and reporting by Retirement Benefit Plans	BAS-26	Applied
Consolidated and Separate Financial Statements	BAS-27	Applied
Investment in Associates	BAS-28	Applied
Financial Reporting in Hyperinflationary Economies	BAS-29	Not Applicable
Interest in Joint Ventures	BAS-31	Not Applicable
Financial Instruments: Presentation	BAS-32	Applied
Earnings Per Share	BAS-33	Applied
Interim Financial Reporting	BAS-34	Applied
Impairment of Assets	BAS-36	Applied
Provisions, Contingent Liabilities and Contingent Assets	BAS-37	Applied
Intangible Assets	BAS-38	Applied
Financial Instruments: Recognition and Measurement	BAS-39	Applied
Investment Property	BAS-40	Not Applicable
Agriculture	BAS-41	Not Applicable

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.

A number of new standards amendments to standards and interpretation are effective for annual periods beginning from 1 January 2016 or later, and have not been applied in preparing these financial statements. This is because it 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 (IASB SAS 32.39). The CAB has adopted new standard IFRS 9; however it will be applied on or after 1 January 2018. Therefore, we are not considering possible impact for the amendment or adoption of such BAS/BFRS.

2.1.5 Risk Management

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

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

The standards of Risk Management as guided by the Bank for International Settlements (BIS) and particularly Basel Committee on Banking Supervision (BCBS), has been applied by regulators across the world. The Central Bank of Bangladesh i.e. Bangladesh Bank also issued guidelines which forms the basis of risk management of all scheduled banks in Bangladesh. The guidelines require that the banks adopt enhanced policies and procedures of risk management. The risk management of banks broadly cover 6 (Six) 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 and Compliance, and f. Information & Communication Technology as specified by Bangladesh Bank.

BBL's risk management strategy is based on a clear understanding of various risks, disciplined risk management, measured and continuous monitoring. BBL continuously works on improving its risk management systems not only to ensure compliance with regulatory requirements but also to ensure better risk-adjusted return and optimal capital utilization keeping in mind of the business objectives. For sound risk management, BBL manages risk in strategic layer, managerial layer, and operational layer. The assets and liabilities of BRAC Bank Limited is managed so as to minimize, to the degree prudent 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 on an appropriate scale. The management 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.

2.1.5.1 Credit Risk Management

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

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

The entire process involves relationship terms of respective Asset Portfolio (Retail, SME and Corporate) booking customer; the Credit Division conducting thorough assessment before placing for approval of the facility. Risk assessment includes borrower risk analysis, financial analysis, industry analysis, and historical performance of Customer. Post-approval, the Asset Operations Division ensures compliance of all legal formalities, completion of documentation including security of proposed facility and finally disburse the amount. 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.

2.1.5.2 Foreign Exchange Risk Management

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

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

Dealing room is well equipped with Reuter's dealing system, Eikon, Bloomberg, a number of FX trading platforms, voice logger etc. Counter party limit is set by the Credit Committee and monitored by mid office. Well-articulated dealers trading limit, stop-loss limit and currency wise open position limits and in place which are being monitored by Mid office. Trigger levels are set for the dealers, Chief Dealer and Managing Director. The entire FX trading process is supervised by a number of well trained, young and dynamic dealers ensuring all local and global regulatory compliances.

2.1.5.3 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 Rates, Interest Rate Risk, Capital Adequacy, Deposit Advanced Growth, Cost of Deposit and yield on Advances, F & Gap, Market Interest Rate, Loan loss provision adequacy and deposit and lending pricing strategy.

2.1.5.4Prevention of Money Laundering

In recognition of the fact that financial institutions are particularly vulnerable to be used by money launderers, BRAC Bank has established an Anti Money Laundering Policy. The purpose of the Anti Money Laundering Policy is to provide a guideline within which the laws and regulations requires compliance with 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 the KYC procedure, the bank has established the 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.

2.1.5.5 Internal Control and Compliance

Internal Control is the mechanism to ensure smooth operations of the Bank on an ongoing basis based on regulatory rules and internal control system. Internal Control system is designed to ensure Compliance is to help the Bank perform better and add value through use of its resources. Through Internal Control system, Bank identifies its weaknesses associated with the process and adopts appropriate measures to overcome that. It objectively examines: •Efficiency and effectiveness of activities (performance objectives)•Reliability, completeness and timeliness of financial and management information (information objectives). •Compliance with applicable laws and regulations (compliance objectives).'

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

The Board of Directors of BRAC Bank, through its Board Audit Committee (BAC), periodically reviews the effectiveness of Bank's internal control system covering all the material controls, including financial, operational and compliance controls and risk management activities. Board Audit Committee (BAC) also reviews the actions taken on internal control issues identified by the internal and statutory auditors and regulatory authorities. It has active oversight on the internal audit's independence, scope of work, resources and materialization of annual audit plan of Internal Control & Compliance Division.

2.1.5.6 Internal Audit

Internal audit function plays a crucial role in ongoing assessment and monitoring and reporting on internal control, risk management and governance in the Bank and monitors compliance with policies and standards. Internal Control and Compliance Division of the Bank carries out internal audit with a view to provide reasonable assurance on internal control and eventual achievement of organizational objectives.

BRAC Bank Limited has a strong internal audit team comprised of four units to carry out the audit activities, namely: Head Office Audit, Branch Audit, SME Audit and Technology Audit. Internal audit team conducts comprehensive, spot, surprise audits in various branches, SME service centers, SME Krishi branches, SME unit offices, centralized functional units in 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 in Bank's operations and reporting are identified and shared with the respective stakeholders on regular basis. The audit teams also monitor the development against audit observations and ensure implementation of recommendations by agreed timeline. Internal Audit works with the process engineering team to update the processes and helps to prevent fraud and operational losses. Internal audit works closely with the Regulators and Statutory Auditor to ensure compliance with applicable rules and regulations.

The Board Audit Committee reviews the Audit, Inspection, Investigation compliance and monitoring reports periodically.

2.1.5.7 Fraud and Forgery

Fraud & forgery have become very important issues in recent years. These have a major impact on our country's economy as a whole, impeding the economic development. BRAC Bank has always been very focused in controlling fraud & forgery by establishing and maintaining proper control systems.

Now a day's fraud and forgery appears in diverse form. To prevent fraud and forgery, BRAC Bank Limited established a department namely "Investigation, Monitoring and Compliance" to deal with such of incidences. This wing exclusively deals with all kinds of fraud and forgery and act independently as the first contact point; information unit where internal and external fraud and forgery incidences are escalated, investigated and reviewed. To protect the bank and its stakeholder's interest, "Investigation, Monitoring and Compliance" Unit performs thorough investigation to identify the perpetrator and the root cause of the reported incident. As a remedial course of action, preventive measures are recommended to the business/functional unit to take necessary action relating to process improvement, recovery of misappropriated amount, adjustment of the operational loss and to take appropriate action against the perpetrator. The investigation reports are then placed to the Board Audit Committee, 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 and forgery which were identified in 2016 are also duly reported to Bangladesh Bank on a quarterly basis following their prescribed format and adequate provision has been maintained in the books of accounts. Management is exerting their

all-out efforts to recover the aforesaid amount.

2.1.5.8 Information and Communication Technology (ICT) Security

As the role of technology increases, business risks due to underlying and unidentified system vulnerabilities also increases. Existence of these risks within the business ecosystem when exploited could lead to severe financial, regulatory and brand impacts. This makes implementation of adequate security controls mandatory. BRAC Bank is committed to high levels of service quality and banking security.

BRAC Bank is the pioneer in the financial sector who achieved ISO 27001 international certificate and fulfilled the regulatory mandate. ISO 27001 is the international standard for Information Security Management and formally specifies management system that is intended to bring information security under explicit management control. Accredited international certification to ISO 27001 demonstrates to existing and potential customers that our bank has defined and focus on best-practice information security processes. ISO 27001 is invaluable for monitoring, reviewing, maintaining and improving information security management system and will give stakeholders greater confidence in the way they interact with our business.

This is just one of a number of initiatives that BRAC Bank has implemented to ensure our customers can be confident when banking. BRAC Bank developed its Cyber security road map and working accordingly to bring the best security solution, processes and practices. BRAC Bank also assessed its cyber security standing by 3rd party in 2016.

"BRAC Bank Limited follows the guideline stated in 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: Password control, User ID maintenance, Input control, Network security, Data encryption, Virus protection, 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.

2.1.5.9 Enterprise Risk Management ("ERM"):

Enterprise Risk Management ("ERM") is a strategic business discipline that supports the achievement of an organization's objectives by addressing the full spectrum of its risks and managing the combined impact of those risks as an interrelated risk portfolio.

Enterprise Risk Management (ERM) enables the organizations to pragmatically deal with uncertainty and associated risk and opportunity thus enhancing the brand value and profitability. Enterprise risk management helps in identifying and selecting among alternative risk responses – risk avoidance, reduction, transfer, and acceptance. It helps to ensure effective reporting and compliance with laws and regulations, and avoid damage to the entity's reputation and associated consequences.

To make the ERM active stronger and smoother, we drive and perform various activity like Enterprise Risk Associates Forum (ERAF) meeting through which all the stakeholders can raise risks from their own divisions and discuss in the meeting for proper solutions, ERMIC (Enterprise Risk Management Committee) meeting which takes place on monthly basis consisting all the Divisional Heads where the high risk issues are discussed that need management attention, ERMIC (Board Risk Management Committee) which takes place on bi-monthly basis consisting the few board members to provide an overview on the overall risk management framework and activities of the bank and management. Besides all these, the bank has established another committee consisting of all the Heads who are involved with Risk, Control, Compliance, Governance and Security and that is; ERGF (Enterprise Risk Governance Forum). This forum acts as the single contact point for all the staff so that they can get emergency response for any query related to risk or they may want to resolve. They get the immediate and urgent solutions for risk and hazards with the guidance of the Senior Management.

Key Risk Indicators (KRIs):

To set up the Key Risk Indicators (KRI) and to monitor these KRIs of entire bank are one of the key jobs of Risk Management. Monitoring these KRIs of every department makes comfortable to assess the risk events of future. These KRIs play a very vital role in identifying and also to reduce the future unwanted events that may incur loss for the bank.

Business Continuity Plan (BCP):

The Business Continuity Plan (BCP) is another initiative that is being performed by ERM. To make the bank more robust and resilient to any type of sudden disaster; be it the natural disaster or network problem or even be it a human error, ERM prepares the BCP in such a way that the bank can resist all the types of disaster and recover smoothly with the least impact on the business. Each and every branch has its own BCP which is being prepared by ERM and there will be some BCP testing to check whether this plan is working or not as well.

Subsidiary Risk Management:

The Subsidiary Risk Management is relatively new inclusion in ERM work. ERM team tries to ensure the proper risk management development for all the subsidiaries including the risk management framework (policy and procedure), necessary policy implementation and policy implementation and as a whole help the subsidiaries to nurture the risk management best practices.

2.1.6 Implementation of BASEL- III

To cope up with the international best practices and to make the bank's capital shock absorbent Guidelines on Risk Based Capital Adequacy (RBCA) for banks' (Revised regulatory capital framework in line with Basel II) was introduced from 01 January 2009 as a parallel run with BRPD circular no. 10, dated 25 November 2008 to focus on the prudential supervision of banks. Basel II regime started from 01 January 2010 and the guidelines on RBCA came into play into force with its subsequent supplementary regulations. Instructions regarding Minimum Capital Requirement (MCR), Adequate Capital and Disclosure requirements as well as the guidelines had to be followed by all scheduled banks for the purpose of statutory compliance. According to the BRPD circular no. 9, dated 31 December 2008 and subsequent updates on BRPD circular no. 10, 12, 24, 35 dated 10 March 2010, 29 March 2010, 3 August 2010, 29 December 2010 and BRPD circular no. 8, dated 23 July 2012, 29 March 2010, bank framework has three main components referred to as pillars:

i. Pillar I addresses minimum capital requirement.

ii. Pillar II elaborates the process for assessing the overall capital adequacy aligned with risk profile of a bank as well as capital growth plan.

iii. Finally, Pillar III gives a Framework of public disclosure on the position of a bank's risk profiles, capital adequacy and its management system.

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

— Raise the quality and level of capital to ensure banks are better able to absorb losses on both a going concern and a going concern basis
— Increase the risk coverage of the capital framework
— Introduce leverage ratio to serve as a backup to the risk-based capital measure
— Raise the standards for the prudential review process (Pillar 2) and
— Public disclosures (Pillar 3)

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

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

We have fully complied with all the directives provided by the Central bank from time to time, starting from Pillar I, II and III reporting requirements to periodic Stress Testing activity etc. Formation of Basel Steering Committee chaired by the Managing Director of the bank help us to ensure supreme governance and strict requirement at execution level.

2.1.7 Off Balance Sheet Items

Provision for off balance sheet items is made as per BRPD circular no. 14 of September 23, 2012.

2.1.8 Accounting for Changes in Accounting Estimates

BAS - 8 Accounting Policies, Changes in Accounting Estimates and Errors, 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 change.

As per BAS - 16 "Property plant and equipment" (Para 61) any changes in the depreciation method shall be accounted for as a change in accounting estimate in accordance with BAS - 8 Accounting Policies, Changes in Accounting Estimates and Errors.

During the year, BRAC Bank Limited changed its depreciation rate for depreciating the leasehold building (Annex - D). Management states the view that this estimate 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.

2.1.9 Events after reporting period

As per BAS - 10 "Events after the Reporting Period" events after the reporting period are those events, favorable and/or unfavorable that occur between the end of the reporting period and the date when the financial statements are authorized for issue. Two types of event can be identified:(a) Adjusting events after the reporting period which provide evidence of conditions which existed at the end of the reporting period; and(b) Non adjusting events after the reporting period, are those that are indicative of conditions that arose after the reporting period."

2.2.0 Related party disclosures

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

2.2.1 Director's responsibilities on statement

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

2.2.2 Segment reporting

"As per BFRS 8 "Operating Segments", an operating segment is a component of an entity(i) That engages in business activities from which it may earn revenues and incur expenses (include revenues and expenses relating to transactions with other components of the same entity)(ii) Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performances, and (iii) For which discrete financial information is available.Bank reported its segment reporting in respect of Business segment wise. Business segment comprise SME, Retail, Corporate and Treasury under Conventional banking."

We refer to note 47 for details segment reporting.

2.2.3 General:

a) Figures appearing in the financial statements have been rounded off to the nearest Taka.

b) Figures of previous year have been rearranged wherever considered necessary to conform to the current year's presentation.

c) The expenses, irrespective of capital or revenue nature, accrued / due but not paid have been provided for in the books of the accounts.

Section -Two : Notes to the Balance Sheet

	Particulars	2016 Taka	2015 Taka
3. Cash	Cash in hand (Including foreign currency)	5,404,296,928	5,613,959,872
	Balance with Bangladesh Bank and its agent Banks (Including foreign currency)	10,416,488,307	10,592,881,511
		15,820,785,235	16,206,841,383
3.1. Cash in hand (Including foreign currency):	Local currency	5,384,527,379	5,487,799,070
	Foreign currency	19,958,378	126,189,802
		5,404,296,928	5,613,959,872
3.2. Balance with Bangladesh Bank and its agent Banks (Including foreign currency):	Local currency	9,775,185,518	9,371,605,669
	Foreign currency	71,304,416	307,145,098
		9,846,489,934	9,678,750,767
Sonal Bank as agent of Bangladesh Bank (local currency)		914,135,744	-
		10,416,488,307	10,592,881,511
		15,820,785,235	16,206,841,383

The above balance represents amounts as per Bank Book. The difference due to reconciling items with Bangladesh Bank are subsequently adjusted.

3.3 Cash Reserve Requirement (CRR) :

As per section 33 of Bank Company Act, 1991 (amended up to 2013) and MPD circular no. 1 dated 23 June 2014 issued by Bangladesh bank with effect from 24 June 2014, BRAC Bank Ltd has maintained CRR of minimum 6% on daily basis and 6.5% on bi-weekly basis on weekly average total demand and time liabilities (ATDL) of the base month which is two months back of reporting month (i.e. CRR of December 2016 is based on weekly average balance of October 2016). Reserves maintained by the bank as at 31 December 2016 are as follows:

Average total demand and time liabilities of October 2016

Daily basis:

Required reserve (6% of ATDL)

Actual reserve maintained (as per Bangladesh Bank statement)

Surplus / deficit

Particulars	2016 Taka	2015 Taka
-------------	--------------	--------------

Bi-weekly basis

The bank maintained excess cash reserve of Tk. 648,243,639 (Tk. 1,490,055,194 was in 2015) against minimum requirement of 6.5% (of ATDL) on bi-weekly basis which is the summation of excess cash reserve maintained over requirement in the last fortnight (bi-week) of 2016.

3.4 Statutory Liquidity Ratio (SLR) :

As per section 33 of the Bank Company Act, 1991 (amended up to 2013) and MPD circular no. 2 dated 10 December 2013 issued by Bangladesh bank with effect from 1 February 2014, BRAC Bank Ltd has maintained SLR of minimum 13% based on weekly average total demand and time liabilities (ATDL) of the base month which is two months back of the reporting month (i.e. SLR of December 2016 is based on weekly average balance of October 2016). Reserve maintained by the bank as at 31 December 2016 are as follows:

Required reserve (13% of ATDL)

Actual reserve maintained (Note: 3.5)

Surplus / Deficit

3.5 Actual reserve maintained

Cash in hand (Note 3)

Balance with Sonal Bank as per statement

Government securities

3.6) Consolidated Cash

I. Cash in hand:

BRAC Bank Limited

BRAC EPL Investments Limited

BRAC EPL Stock Brokerage Limited

FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016



7.9 Sector-wise Allocation of Loans and Advances

Particulars	2016 Taka	2015 Taka
Government:		
Agriculture:		
Private	3,422,444,806	4,018,289,145
Industry	28,856,271,744	37,256,384,803
Service Industry	9,224,968,958	13,028,456,664
Agro-based industry	6,680,777,348	8,345,739,556
Commerce & Trade	78,270,521,711	78,656,698,339
Consumer Credit	25,520,362,913	19,638,927,126
151,976,347,486	216,360,094,026	173,612,041,512
151,976,347,486	216,360,094,026	173,612,041,512

7.10 Securities against loans/advances including bills purchased and discounted		
On-Shore	Off-shore	Total
Collateral of movable/immovable assets	35,871,063,295	35,871,063,295
Local banks and financial institutions guarantee	-	-
Government guarantee	-	-
Foreign banks guarantee	-	-
Export documents	-	-
Fixed deposits (FDR)	2,945,868,878	2,945,868,878
FDR of other banks	-	-
Government bonds	809,546,497	809,546,497
Personal guarantee and other securities	67,043,481	67,043,481
Other securities	151,976,347,486	151,976,347,486
151,976,347,486	216,360,094,026	173,612,041,512

7.11 Particulars of required provisions for loans and advances

Status	Outstanding Loans and advances 2016	Base for provision	Percentage (% of required provision)	Required provision 2016	Required provision 2015
Unclassified					
Unclassified loans (Other than Small and Medium enterprise financing)	75,019,563,783	74,214,438,066	1%	742,144,361	680,765,033
Small and Medium enterprise financing	57,067,356,111	57,067,320,895	0.25%	14,266,302	121,628,025
Loans to BSMs/MSs against share etc.	1,622,810,221	1,622,810,221	2%	32,456,024	35,377,738
Housing Finance	16,109,103,180	16,109,103,180	2%	322,182,064	197,125,628
Loans for professionals to Set up business	204,570,511	204,570,511	2%	4,091,410	6,992,349
Consumer finance	16,177,211,767	16,177,211,767	5%	808,860,588	411,332,053
Short Term Agricultural and Micro Credit	1,500,761,427	1,500,761,427	2.50%	37,519,036	27,214,668
2,089,921,695	1,680,436,394				

Classified - Specific provision					
Sub-standard (Short Term Agricultural Credit)	30,216	28,304	5%	1,415	21,093
Sub-standard (Short Term Agricultural Credit)	684,483	673,041	5%	33,671	57,650
Sub-standard	648,500,421	403,008,141	20%	80,601,628	151,510,706
Doubtful	499,680,780	336,384,033	50%	188,192,018	127,650,344
Bad/loss	4,762,519,710	3,081,694,637	100%	3,133,955,075	5,640,959,295
3,862,792,224	6,011,341,466				
4,774,714,209	7,691,777,859				
8,689,029,919	8,417,226,266				
1,689,515,399	226,959,497				

* BSM = Brokerage House, MSB = Merchant Bank, SD = Stock Dealers Against Shares

7.12 Particulars of required provisions for off balance sheet items - General Provision

Name of Exposure	Outstanding	Percentage (% of required provision)	Required provision 2016	Required provision 2015
Acceptances and endorsements	20,015,403,528	1%	200,154,035	129,676,216
Letter of guarantee	6,357,188,894	1%	63,571,889	57,650,344
Irrevocable letter of credit	20,059,244,637	1%	200,592,446	201,355,051
Bills for collection	1,815,432,730	1%	18,154,327	18,105,611
Total required provision			487,947,686	407,388,022
Provision maintained (Note 17.1)			487,947,170	427,347,170
Excess/(Short) provision			18,764,74	19,974,146

7.13 Particulars of Loans and Advances

Particulars	On-Shore	Off-shore	Total
i) Loans considered good in respect of which Bank is fully secured	38,815,967,389	-	38,815,967,389
ii) Loans considered good against which Bank holds no security other than the debtors' personal guarantee	809,546,497	-	809,546,497
iii) Loans considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtor	112,349,833,600	21,636,694,026	133,980,527,626
iv) Loans adversely classified; provision not maintained there against:			
151,976,347,486	216,360,094,026	173,612,041,512	147,433,607,286

Repayable on demand	805,495,552	-	805,495,552
Not more than 3 months	-	-	-
More than 3 months but not more than 1 year	-	-	-
More than 1 year but not more than 5 years	-	-	-
More than 5 years	-	-	-

Repayable on demand	805,495,552	-	805,495,552
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Repayable on demand	805,495,552	-	805,495,552
Not more than 3 months	-	-	

FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED

31 DECEMBER 2016



18.6.1 Name of the Directors and their shareholdings as at December 31, 2016:

Sl. No.	Name	Status	Opening position	Closing position	% of shares held as on 31-12-2016
1	Sir Fazle Hasan Abed, KCMG (Nominated by BRAC)	Chairman	7,020	7,020	0.001
2	Mr. Shih Nayayan Kanyo (Nominated by BRAC)	Nominated Director	5,341	5,341	0.001
3	Ms. Nihad Kabir (Nominated by BRAC)	Nominated Director	5,872	25,872	0.004
4	Mr. Kaiser Kabir (Nominated by BRAC)	Nominated Director	-	50,000	0.007
5	Dr. Hafiz G.A. Siddiqi	Independent Director	-	-	-
6	Mr. Kazi Mahmood Sattar	Independent Director	-	-	-
7	Ms. Zahida Isphani	Independent Director	-	-	-

18.7 Share Premium

5,000,000 ordinary shares @ Tk. 70 per share in the year 2006	350,000,000	350,000,000
2,640,000 ordinary shares @ Tk. 400 per share in the year 2008	1,056,000,000	1,056,000,000
221,652,288 ordinary shares @ Tk. 10 per share in the year 2014	2,216,522,880	2,216,522,880
1,149,589 ordinary shares @ Tk. 32.55 per share in the year 2016	37,419,151	-
	3,659,942,031	3,622,622,880

18.8 Particulars of Share Premium

Sponsor:	No. of Shares		
BRAC	316,598,451	1,324,534,000	1,324,534,000
ShareCap International Limited	-	92,473,920	92,473,920
	47,694	192,580	192,580
Non Sponsor:			
International Finance Corporation (IFC)	38,002,483	219,056,640	219,056,640
Non Resident Bangladeshis	1,096,669	91,555,530	91,555,530
Mutual Funds	45,196,879	189,254,190	189,254,190
General Public	309,494,734	1,742,915,111	1,709,456,000
	710,436,910	3,659,942,031	3,622,622,880

18.8(a) Consolidated Share Premium

BRAC Bank Limited	3,659,942,031	3,622,622,880	
BRAC EPL Investments Limited	413,100,186	331,987,722	
BRAC EPL Stock Brokerage Limited	-	-	-
bKash Limited	1,088,145,382	1,088,145,382	
BRAC Saajan Exchange Limited	20,109,387	20,109,387	
BRAC IT Services Limited	477,880	477,880	
	5,161,774,996	5,063,243,361	

Particulars	2016 Total	2016 Total	2015 Total	2015 Total
Capital Adequacy Ratio - As per Basel II and III				
Onshore Equity Tier 1 (Using Onshore Capital)				
Capital Adequacy Ratio	1,054,389,100	1,054,389,100	1,054,389,100	1,054,389,100
Statutory Reserve	5,181,774,996	5,063,243,361	4,761,711,715	4,622,522,880
Reserve for Speculative Share Premium account	3,470,350,332	3,470,350,332	3,470,350,332	3,470,350,332
General Reserve	5,524,376,341	6,222,871,273	4,088,724,423	3,892,594,140
Retained Earnings	352,618,465	352,618,465	-	-
Deferred Dividend Reserve	1,474,794,315	-	1,297,477,845	-
Minority interests (Shareholders' Equity/Loss kept in books in Bangladesh for foreign banks)	-	-	-	-
Non-repatriable interest free funds from head office for the purpose of acquisition of property and held in a separate account and have the ability to absorb losses regardless of their losses. (Applicable for foreign banks)	-	-	-	-
Others if any item approved by Bangladesh Bank	-	-	-	-
	21,114,861,595	20,812,744,191	20,745,096,685	20,745,096,685
Regulatory Adjustments				
Investment in IFCs (Investment in IFCs for the purpose of meeting the capital adequacy ratio)	-	-	-	-
Statutory Reserve	-	-	-	-
Reserve for Speculative Share Premium account	-	-	-	-
General Reserve	-	-	-	-
Retained Earnings	-	-	-	-
Deferred Dividend Reserve	-	-	-	-
Minority interests (Shareholders' Equity/Loss kept in books in Bangladesh for foreign banks)	-	-	-	-
Non-repatriable interest free funds from head office for the purpose of acquisition of property and held in a separate account and have the ability to absorb losses regardless of their losses. (Applicable for foreign banks)	-	-	-	-
Others if any item approved by Bangladesh Bank	-	-	-	-
	21,114,861,595	20,812,744,191	20,745,096,685	20,745,096,685

Particulars	2016 Total	2016 Total	2015 Total	2015 Total
Capital Adequacy Ratio - As per Basel II and III				
Onshore Equity Tier 1 (Using Onshore Capital)				
Capital Adequacy Ratio	1,054,389,100	1,054,389,100	1,054,389,100	1,054,389,100
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General Reserve	5,524,376,341	6,222,871,273	4,088,724,423	3,892,594,140
Retained Earnings	352,618,465	352,618,465	-	-
Deferred Dividend Reserve	1,474,794,315	-	1,297,477,845	-
Minority interests (Shareholders' Equity/Loss kept in books in Bangladesh for foreign banks)	-	-	-	-
Non-repatriable interest free funds from head office for the purpose of acquisition of property and held in a separate account and have the ability to absorb losses regardless of their losses. (Applicable for foreign banks)	-	-	-	-
Others if any item approved by Bangladesh Bank	-	-	-	-
	21,114,861,595	20,812,744,191	20,745,096,685	20,745,096,685
Regulatory Adjustments				
Investment in IFCs (Investment in IFCs for the purpose of meeting the capital adequacy ratio)	-	-	-	-
Statutory Reserve	-	-	-	-
Reserve for Speculative Share Premium account	-	-	-	-
General Reserve	-	-	-	-
Retained Earnings	-	-	-	-
Deferred Dividend Reserve	-	-	-	-
Minority interests (Shareholders' Equity/Loss kept in books in Bangladesh for foreign banks)	-	-	-	-
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Others if any item approved by Bangladesh Bank	-	-	-	-
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Regulatory Adjustments				
Investment in IFCs (Investment in IFCs for the purpose of meeting the capital adequacy ratio)	-	-	-	-
Statutory Reserve	-	-	-	-
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General Reserve	-	-	-	-
Retained Earnings	-	-	-	-
Deferred Dividend Reserve	-	-	-	-
Minority interests (Shareholders' Equity/Loss kept in books in Bangladesh for foreign banks)	-	-	-	-
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General Reserve	-	-	-	-
Retained Earnings	-	-	-	-
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General Reserve	-	-	-	-
Retained Earnings	-	-	-	-
Deferred Dividend Reserve	-	-	-	-
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Regulatory Adjustments				
Investment in IFCs (Investment in IFCs for the purpose of meeting the capital adequacy ratio)	-	-	-	-
Statutory Reserve	-	-	-	-
Reserve for Speculative Share Premium account	-	-	-	-
General Reserve	-	-	-	-
Retained Earnings	-	-	-	-
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Regulatory Adjustments				
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General Reserve	-	-	-	-
Retained Earnings	-	-	-	-
Deferred Dividend Reserve	-	-	-	-
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Others if any item approved by Bangladesh Bank	-	-	-	-
	21,114,861,595	20,812,744,191	20,745,096,685	20,745,096,685

Add: Reserve made during the year				
			<u>616,373,536</u>	<u>616,373,536</u>
21.1(a) Consolidated Revaluation Reserve on Govt. Securities				
BRAC Bank Limited		111,643,709		219,539,410
BRAC EPL Investments Limited		-		-
BRAC EPL Stock Brokerage Limited		-		-
bKash Limited		-		-

