



# ANNUAL REPORT

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# 2013



 **Modhumoti  
Bank Limited**  
*Your Access to Success*

# ANNUAL REPORT 2013







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## LETTER OF TRANSMITTAL

All Respected Shareholders  
Bangladesh Bank  
Bangladesh Securities and Exchange Commission  
Registrar of Joint Stock Companies & Firms

Sub: **Annual Report of Modhumoti Bank Limited for the period ended 31 December 2013**

Dear Sir(s),

We are pleased to enclose a copy of Bank's Annual Report together with the audited financial statements including balance sheet as at 31<sup>st</sup> December 2013 and profit and loss account, cash flow statement, statement of changes in equity, liquidity statement for the year ended 31<sup>st</sup> December 2013 along with notes thereto of Modhumoti Bank Limited for your kind information and record.

Best regards,

Yours truly,



**Md. Mizanur Rahman**  
Managing Director & CEO



## NAME OF THE COMPANY Modhumoti Bank Limited

### Legal form

A scheduled commercial bank incorporated in Bangladesh as a Public Limited Company under the Companies Act 1994 and Bank Companies Act, 1991.

Chairman, The Board of Directors  
**Mr. Humayun Kabir**

Chairman, Audit Committee of the Board of Directors  
**Mr. Shaikh Salahuddin**

Chairman, Executive Committee of the Board of Directors  
**Barrister Sheikh Fazle Noor Taposh MP**

Chairman, Risk Management Committee of the Board of Directors  
**Mr. Mostafa Kamal**

Managing Director & CEO  
**Mr. Md. Mizanur Rahman**

VAT Registration  
19011088268-Area Code 190101

Auditors  
**M/s. Hoda Vasi Chowdhury & Co.**  
Chartered Accountants

**Rating Agency**  
Credit Rating Agency of Bangladesh Limited (CRAB)

**Credit Rating as on 31 December 2013:**  
Long Term - BBB<sub>2</sub>  
Short Term - ST-2  
Outlook - Stable

Date of Incorporation  
**4<sup>th</sup> June 2013**

Date of Commencement of Business  
**4<sup>th</sup> June 2013**

Date of Approval for establishing Office  
**9<sup>th</sup> June 2013**

Date of inclusion as Scheduled Bank  
**16<sup>th</sup> June 2013**

Formal Inauguration  
**19<sup>th</sup> September 2013**

**Head office**  
DCCI Building, 3<sup>rd</sup> & 4<sup>th</sup> Floor  
65-66 Motijheel C/A, Dhaka-1000  
Phone: 02-958 3809, Fax: 02-958 3808

Website  
**[www.modhumotibankltd.com](http://www.modhumotibankltd.com)**

Tax-Payer Identification Number, TIN  
718496557566

Legal Retainer  
**Barrister Ali Asif Khan**  
Hossain & Khan Associates

**Registered Office**  
Banglar Bani Bhavan  
81 Motijheel C/A, Dhaka-1000

**Network**  
Total Branches: 8  
Total ATMs in live: 6  
Total RMA: 97  
Total Nostro Accounts: 8



## MILESTONES

Application for Bank License	29 November 2011
Letter of Intent (LOI) received from Bangladesh Bank	17 April 2012
Signing MoU between the Sponsors	29 December 2012
Registration with the RJSC	4 June 2013
Approval for opening Office from Bangladesh Bank	9 June 2013
Appointment of Managing Director & CEO	10 June 2013
Inclusion by Bangladesh Bank as Scheduled Bank	16 June 2013
Launching Ceremony	6 July 2013
Opening Head Office at DCCI Building	1 August 2013
The First Meeting of the Board of Directors (BOD)	01 August 2013
Obtaining License for the First Branch (Motijheel Branch)	21 August 2013
Opening of the First Branch (Motijheel Branch)	19 September 2013
The First Meeting of the Executive Committee of BOD	10 October 2013
Obtaining permission for First Authorized Dealer	3 November 2013
Opening of the first Nostro Account	12 November 2013
Starting SWIFT Operations	9 December 2013
Establishing of 1st RMA (Relationship Management Agreement)	11 December 2013
Participating live in Automated Cheque Processing (BACPS)	15 December 2013
The First Meeting of the Audit Committee of BOD	30 December 2013
Signing Agreement with CRAB for Credit Rating	10 March 2014
Launching of a campaign namely 'Freedom' under Privilege Banking	12 March 2014
Launching of Debit Card through ITCL	17 April 2014
Statutory Meeting of the Shareholders	6 May 2014
Signing Agreement with Bangladesh Bank for Re-finance for Financing Schemes under 'Brick Kiln Efficiency Improvement Project'	19 May 2014
Signing Agreement with Western Union in association with Mercantile Bank Limited	24 June 2014
Participating live in BEFTN	15 July 2014
Signing Agreement with Bangladesh Bank for Re-finance for Agro-based Product Processing Industries in Rural Areas and Small Enterprises	22 July 2014
Launching 'Priority Banking'	1 September 2014
Celebrating the First Anniversary	20 September 2014
The First Meeting of the Risk Management Committee	22 September 2014

## OUR VISION

Our vision is to lead the new generation of local commercial banks by excelling in customer delivery through insight empowered employees, smart use of technology and a full range of highest quality products and services.

## OUR MISSION

- Fast customer service.
- Maintain sustainable growth
- Follow strong business ethics
- Offer quality financial services with latest technology
- Provide smooth return on shareholder's equity
- Attract and retain qualified human resource
- Maintain Corporate Social Responsibility
- Explore un-banked areas

## STRATEGIC OBJECTIVES

- To conduct business operation in a transparent manner based on market mechanism within the legal and social framework as focused in our mission towards vision of the organization.
- To provide customer efficient, innovative and quality products and services with excellent delivery system in such manner where we shall compete with ourselves every moments.
- To attract and retain good employees as well as enhancing their career through training.
- To contribute meaningfully towards the progress of the nation through socially responsible business.
- To generate profit and fair returns to our shareholders ensuring sustainable growth.

## CORE VALUES



## OUR COMMITMENT

- Focus on customers' satisfaction
- Committed to deliver best financial services to
  - Retail
  - Small and Medium Enterprises (SMEs)
  - Corporate
  - Government and
  - Individual client
- Planning strategies to meet the upcoming demands of the market
- Catering high degree of professionalism and use of modern technology
- Creating and maintaining long-term relationship based on mutual trust
- Sharing the values and beliefs of our customers
- Grow as our customers' grow
- Offering competitive pricing with no hidden costs
- Ensuring safety and security of the valuables of our customers put in trust with us





## THE BOARD OF DIRECTORS



Tanveer Oils Limited  
Rep. by Mr. Mostafa Kamal



Everest Power Generation Co. Limited  
Rep. by Ms. Tanjima Binthe Mostafa



Mr. Humayun Kabir



Mrs. Shahana Yasmin



Mrs. Sultana Jahan



S. Jute Industries Limited  
Rep. by Mr. Md. Abul Hossain



Mr. Mohammad Ali Talukder



Meghna Flour & Dal Mills Limited  
Rep. by Mr. Yousuf Ali



Mango Teleservices Limited  
Rep. by Mr. A Mannan Khan

## THE BOARD OF DIRECTORS



Mona Financial Consultancy & Securities Limited  
Rep. by Mr. Md. Mahbubur Rahman



Mr. Md. Didarul Alam, MP



Mr. Md. Mizanur Rahman  
Managing Director & CEO



## SPONSORS



Mr. Humayun Kabir



Mr. Shaikh Salahuddin



Barrister Sheikh Fazle Noor  
Taposh, MP



Mr. Noor-E-Alam Chowdhury, MP



Sharmin Apparels Limited  
Rep. by Mr. Md. Ismail Hossain



Sandhani Life Insurance Co. Limited  
Rep. by Mr. Nemaï Kumer Saha



Alhaj Anwar Hossain



Mr. Salahuddin Alamgir

## SPONSORS



Tanveer Oils Limited  
Rep. by Mr. Mostafa Kamal



Anwar Jute Spinning Mills Limited  
Rep. by Mr. Mafizuddin Sarker



Mr. Humayun Kabir



Mrs. Shahana Yasmin



Mrs. Sultana Jahan



S. Jute Industries Limited  
Rep. by Mr. Md. Abul Hossain



Mr. Mohammad Ali Talukder



P.N. Composite Limited  
Rep. by Mr. Tapan Kumar Saha



Mr. Abdullah Al Islam Jakob, MP



## SPONSORS



Everest Power Generation Co. Limited  
Rep. by Ms. Tanjima Binthe Mostafa



Mr. Md. Irshad Ali



Niki Dyeing, Printing & Finishing Mills Limited  
Rep. by Mr. Md. Serajul Islam Bhiuyan



Mr. Mohd Jashim Uddin



Mr. Faiz Ahamed Khan



Mr. Syed Salman Masud



Crystal Apparels Limited  
Rep. by Mr. Md. Showket Hossain



Mr. Sheikh Fazle Shams



Barrister Rahat Khalil



## SPONSORS



Barrister Imranul Kabir



Barrister Khandaker Reza-E-Raquib



Dr. Golam Mohiuddin



Barrister Mejbahur Rahman



Barrister Khandoker Reza-E-Rabbi



Barrister Mohammad Mehedi  
Hasan Chowdhury



E. B. Solutions Limited  
Rep. by Mr. Rafiur Rahman Khan Yusufzai



Mr. Iqbal Aziz



Mr. Sk. Belal Uddin

## SPONSORS



Mona Financial Consultancy and Securities Ltd  
Rep. by Mr. Md. Mahbubur Rahman



Mr. Md. Didarul Alam, MP



Meghna Flour & Dal Mills Limited  
Rep. by Mr. Yousuf Ali



D & S Preety Fashions Limited  
Rep. by Mr. Md. Ali Talukder



Mango Teleservices Limited  
Rep. by Mr. A Mannan Khan



Azbal International Limited  
Rep. by Mrs. Ferdousi Islam

## THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS



Barrister Sheikh Fazle Noor Taposh, MP  
Chairman



Alhaj Anwar Hossain



Mr. Mostafa Kamal



Mr. Salahuddin Alamgir



Mr. Md. Ismail Hossain



Mr. Nemaï Kumer Saha



Mr. Humayun Kabir



## THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS



Mr. Md. Abul Hossain



Mr. Shaikh Salahuddin, Chairman



Mr. A Mannan Khan

## THE RISK MANAGEMENT COMMITTEE OF THE BOARD OF DIRECTORS



Mr. Mohammad Ali Talukder



Mr. Mostafa Kamal, Chairman



Mr. Md. Didarul Alam, MP

## THE MANAGEMENT COMMITTEE (MANCOM)



- Mr. Md. Mizanur Rahman, Managing Director & CEO
- Mr. Md. Touhidul Alam Khan, Head of Business
- Mr. Khondaker Rahimuzzaman, Head of Operations
- Mr. Md. Shaheen Howlader, Head of SME & Retail Banking Division
- Mr. Sufi Tofail Ahamed, Head of ICT Division
- Mr. Javed Khan, Head of Corporate & Investment Banking Division
- Ms. Fahmida Saeed Saki, Head of International Division
- Mr. Shaikh Mohammad Shoieb, Head of International Trade Services
- Mr. Arif Hasan Khan, Head of Business Development & Marketing Division
- Mr. Md. Gias Uddin, Head of Finance and Accounts Division
- Mr. Biswas Arifur Rahman, Head of Treasury Division
- Mr. S. M. Imran Alam, Head of Human Resource Division
- Mr. Ashutosh Talukder, Company Secretary (Current Charge)





# MESSAGE FROM CHAIRMAN





## MESSAGE FROM CHAIRMAN

Honourable Shareholders,  
My Respected Colleagues at the Board of Directors,  
Assalamu Alaikum.

I feel proud and honoured to welcome you to the First Annual General Meeting of Modhumoti Bank Limited.

In 2013 we started our journey on 1st August by inaugurating our Head Office and on 19<sup>th</sup> September, we inaugurated Motijheel Branch with the aim to be a facilitator of economic development of the country by providing modern and innovating banking service and solution to the general people and businesses of the country. MMBL believes in financial inclusion thus would take banking services to people irrespective of class in the society. Thus we opened our doors for business with the slogan 'Your Access to Success'. In the beginning, MMBL faced challenges due to slow-down of economic activities and political unrest prevailing in the country.

### **Performance of the Bank in 2013**

Despite the challenge facing us, I am pleased to convey to you that the Bank made operating profit and net profit after tax to the tune of BDT 113.10 million and BDT 56.91 million respectively during its 3 (three) months operation in 2013. The bank operating its business in cautious and prudent way and believes in sustainable growth. Total assets of the bank as on 31 December, 2013 was BDT. 7,874.92 million. Within this short period, the Bank opened 2 branches in 2013 and 4 additional branches by the end of March 2014. With remarkable growth as an aim the Bank shall consolidate its position to bring in financial discipline so as to create an ethos in the market that the Bank is committed to excellence in operation and maintenance of quality assets.

Modhumoti Bank Limited aims to keep on moving forward with healthy growth in all areas of its operation. We see ourselves as a compliant and effective player in the country's financial system. In this move our Bank is in continuous endeavour to adhere to the compliance issues, as well. Focus is being placed on all key areas covering capital adequacy, good asset quality, sound management, satisfactory earning and strong liquidity.

### **Products and services of the Bank**

The bank continues to offer products and services to attract and serve wide range of customers who are individuals, corporate houses, SMEs. I am proud to state that MMBL is the first bank in Bangladesh to have introduced privilege banking services to the Freedom Fighters of the country. In order to meet the customers' demands we are in continuous attempt to develop and design our products and services. The Bank always puts emphasis on customer care and has made relentless efforts to ensure best possible services at reasonable cost. We believe in the philosophy of understanding customers and satisfying their needs better than the competitors so as to have a better competitive edge. We feel proud of being customer focused as is revealed in our corporate slogan that we are partners of customers for their growth.

There is no denying of the fact that in these days banking operation globally is giving emphasis

on SME financing and retail lending. We believe SME and retail lending are the two most potential sectors for expansion of our business. As a risk mitigation policy and to broaden our base of participation your Bank is contemplating to shift from corporate finance to the small scale financing by degrees.

### **Information and Communication Technology**

Use of technology for providing prompt services to customers is inevitable for a service industry like bank. We have a strong conviction of applying information technology in our operation for ensuring prompt but accurate service to our customers. All our branches are connected on-line. We have established ATMs. We have already introduced debit card. We are contemplating to introduce Credit Card, Tele Banking, Internet Banking, Mobile Banking in wide range within a short period. All these, we believe, would take our Bank to a newer height in auto-banking services.

### **Corporate Governance**

We strive to practice and follow standard principles in accordance with the guidelines stated through BRPD Circular No. 11 dated 27 October 2013 for ensuring corporate governance and we are in constant efforts for adhering to the rules, regulations and guidelines of regulatory authorities. In the mean time, the Bank has formed the Executive Committee, Audit Committee and the Risk Management Committee of the Board of Directors and Committees are performing accordingly.

### **Corporate Social Responsibility**

Alongside commercial banking operation we contemplate to serve the society as part of our responsibility. We are committed to the cause of humanity and fulfilling social responsibilities. The bank plans to widen its corporate social responsibility activities as it is sensitive to the needs of the community.

### **Human Resources**

The Bank human resources are key to our success. We believe human energy is unlimited. What we need is to ignite the said energy. For doing so we strive to instil a sense of belongingness in them towards the Bank. We firmly believe that

'Our people are our assets which are required to be maintained with due care.' For this, we are in constant efforts to boost their morale by creating congenial working atmosphere for them and giving them reasonable compensation package. For enhancing their competence and skill Human Resources Division arranged trainings, workshops, and seminars. For maintaining our human resources we will reward them with performance bonus, promotions, and increments reasonably. Besides, for them there are welfare policies in place. We believe in retaining and maintaining forward looking human resources and enhancing their competence through continuous in-house and on-the-job trainings.

2014 shall be another year of challenge for us due to high competition in the banking sector. We shall have to compete with many players with strong footing in the industry. Bangladesh economy will continue to grow and macro-economic stability shall exist as political stability will return. I am optimistic that the bank shall perform well and grow in 2014 and beyond as we are always committed to building an organization on sound fundamentals, prudence, diligence and financial acumen. I am highly confident that the highly competent management team of the Bank shall take the bank to new heights and deliver expected results.

### **Note of Appreciation**

I am immensely indebted to my colleagues for their continued supports and prudent counsels. I express deep gratitude to all our customers, well-wishers, shareholders, regulators for their supports and invaluable guidance in our quest of excellence.

I thank Hoda Vasi Chowdhury & Co., Chartered Accountants for conducting external audit with professionalism and advising us on various matters concerning International Accounting Standards and Bangladesh Accounting Standards.

We recognize the employees led by the Management Team as the innate strength of our Bank. We will strive together for achieving our stated goals and vision.

May Allah help us and shower His unending blessings upon us.

With warm personal regards,



**Humayun Kabir**  
Chairman



# Managing Director & CEO's ROUNDUP







## Managing Director & CEO's **ROUNDUP**

BismillahirRahmanir Rahim

Respected Shareholders, The Board of Directors and all members of Modhumoti Bank family  
AssalmuAlaikum.

It gives me great pleasure to share with you the progress and results of the Bank for the year ended December 31, 2013 in the eve of the first Annual General Meeting of the Bank.

Modhumoti Bank Limited (MML) launched banking services through inaugurating its Motijheel Branch on 19th September, 2013 with the vision to lead the new generation of local commercial banks by excelling in customer delivery through insight, empower employees, smart use of technology and a full range of highest quality products and services. In 2013 the bank operated for a quarter of a year (Sep-Dec) in which the country went through political instability which hampered economic activities of the country and the Bank's progress was also affected.

## Business Review

The year 2013 was a challenging year for the economy of the country. In 2013, economic activities across all sectors and especially the dominant services sector were generally dampened due to political instability prevailing at the time. There was relative stagnation in economic activities during June-December 2013. Domestic demand experienced a significant decline.

During July-December 2013, national inflation trends experienced a consistently upward trend. Point-to-point inflation experienced an upward trend due to continuous rise in food inflation. Food inflation began moderating from July, reaching 7.9% in September 2013, but started rising in October, reaching 9.0% in December 2013.

The balance of payment (BoP) of the country, in July-November 2013 was in a favourable situation because of robust export performance and lower import payments. Against all odds, export earnings registered an impressive growth rate of 16.6 per cent during the first half of July-December 2013. Import related activities did not pick up in a significant manner during the period as it increased by only 4.4 per cent. Remittances experienced negative growth of 8.4% during the period.

Private sector credit disbursement was low. Growth rates of domestic credit and credit to private sector, which were 10.8 per cent and 11.1 per cent respectively as of November 2013, remained at subdued levels. Commercial borrowing of private sector from foreign sources was permitted on grounds of higher lending rate in the domestic financial market to enforce more competition in the domestic financial market.

In the banking sector non-performing loans (NPL) escalated to 12.8 per cent at the end of September 2013, the highest since 2009. However, NPL fell to 8.3 percent at the end of December 2013 due mainly to relaxation of loan rescheduling policy in December 2013.

During October-December 2013, the banking industry capital adequacy ratio (CAR) increased to 11.5 percent. At the end of December 2013, the growth rate (year-on-year) of deposits remained higher than that of advances. As a result, advance-

deposit ratio (ADR) remained far below. The advance - deposit ratio (ADR) decreased to 70.7 percent at the end December 2013 from 71.7 percent at the end of previous quarter. There was about BDT 860 billion excess liquidity prevailing in the banking system at the end of October 2013.

In this subdued challenging economic situation we took strategy to step cautiously, utilizing our resources step by step considering political, economic situation of the country for ensuring sustainable growth of our business. In 2013, we opened 2 branches out of planned 6. The Bank opened branches in Motijheel, Dhaka and Amberkhana, Sylhet. The remaining 4 branches were opened within March 2014 in Gulshan, Dhaka, Ashulia, Savar, Kanaipur, Faridpur and Jinnahagar, Jinaidah. Within a short time, we delivered results. I am happy to report that despite this challenging environment and our brief operating period in 2013, our Bank achieved operating profit of BDT 113.10 million and net profit after tax of BDT 56.91 million for the year ended on 31 December 2013.

At the same time, total deposits of the Bank stood at BDT 1,679.69 million and total loans and advances was BDT 34.71 million. Total Assets of the Bank was at BDT 7,874.92 million and total Shareholders' Equity stood at BDT. 4,577.50 million in 2013. The Bank also started Import business which was BDT 6.210 million. We are continuously strengthening our relationship with the operating agents throughout the world to facilitate all types of foreign exchange businesses such as Export, Import and Remittance.

I would like to take the opportunity to share with our patrons and well-wishers that the Bank has been moving forward. You will be happy to know that, as of end of June 2014, total deposits and loans & advances of the Bank grew to BDT 3,915.77 million and BDT 1,843.75 million respectively. Bank's operating profit stood at BDT 256.60 million at the end of June, 2014. The Bank's foreign exchange business also expanded; Import & Export stood at BDT 510.10 million and BDT 12.00 million respectively. Bank's other non-funded business, Bank guarantee, stood at BDT 388.90 million.

When developing this bank, we focused on developing something unique— a Responsible Bank. This means not only a stable financial

institution with quality products, but also the bank, which will become an integral part of the community, help others to go ahead for positive changes and improve the life of people around. We want to provide the highest level of services that our customers deserve – with a smile and a friendly attitude. In order to generate sustainable growth we shall always adhere to our core values which are ethics, responsibility, innovation, teamwork, transparency all focused on customer centricity. We would like to focus on customers by creating and maintaining long-term relationship based on mutual trust, sharing the values and beliefs of our customers, offering competitive pricing with no hidden costs.

Since the beginning of operation of the bank we have been offering various loan and deposit products through our branch network. We have already introduced corporate banking, priority banking, retail banking, SME banking, debit cards, ATM services. We have AD branches for providing all types of foreign exchange related services for facilitating export, import and remittance. More banking services such as mobile banking, internet banking will be introduced in near future to be in tune with the current industry scenario. MMBL is the only Bank in the country to have introduced privilege banking services for the Freedom Fighters of the country in recognition of their contribution to the country.

As we believe in financial inclusion and are committed to deliver best financial services to Retail, Small and Medium Enterprises (SMEs), Corporate, Government and Individual clients across the country, we want to expand our presence in different regions, urban and rural, of the country to reach more and mass people. Opening of 10 branches in 2014 is already under process. We are also focusing on opening ATM booths across the country to meet demand of 24 hour cash withdrawal facilities.

At MMBL we believe in utilization of information and communication technology. We believe continuous improvement of technological support will bring efficiency to operations and thereby ensure customer satisfaction to the extent of highest degree. From the very first day of operation, the Bank started with state-of-art Data centre and centralized real time core

banking solution. With the expansion of branches' network, ICT department has been providing all kinds of technical setup and facilities in diversified delivery channels. Online banking amongst branches, transaction-immediate SMS alert services, SWIFT services and electronic cheque clearing were operational since beginning. To have access of banking services round the clock, ATM and internet banking facilities are made available to all customers. Moreover, to increase and widen its ATM and POS terminals accessibility, we signed up with Q-Cash - the largest shared ATM/POS network in Bangladesh.

We believe that our people, i.e., employees of the Bank, are valuable resource and a key driver of the Bank's success. We focus on attracting talented people with leadership, culture and capability and on creating an ideal work place. Through our people we would like to create an organization which always provides our clients with the highest level of reliability, honesty and quality of services.

We put emphasis on compliance of all regulatory requirements effectively to ensure adequate transparency on banking activities and also to set highest ethical standards and professionalism for protecting the best interest of all our stakeholders.

### **Future Outlook**

The year 2014 will be another challenging year for us. We have to establish ourselves as the leading bank among the 4th generation banks and at same time compete with other banks in the market. The political and economic situation of the country will stabilize as the new government is facilitating a stable environment. Investment, Export and Import are expected to grow.

Competition in the industry is also intense as banks are competing with each other with almost identical products and services. We believe in providing customized customer centric financial solution for our clients. The bank shall focus on operating in prudential manner by achieving operational efficiency and sustainable business growth, attracting and retaining dynamic and talented human capital driven by values; excellent risk management in key operational areas of the bank and diversifying businesses in both urban and rural areas and sectors that are either growing

or have potential for growth. Strategic priorities of the bank in 2014 will be:

- Ensuring customers' satisfaction and achieving their loyalty, which is our first preference
- Diversifying deposit & loan products, i.e., introducing innovative products that are not presently available in the market
- Performing cost efficient operation and managing high standard of asset quality
- Ensuring risk adjusted revenue growth and high return on equity and asset
- Optimizing key financial ratios as per industry benchmark
- Using quality human resources and up-to-the-mark modern technologies effectively and also efficiently
- Developing the best practices of corporate governance & ethical culture
- Practicing Corporate Social Responsibility and driving such activities for poverty alleviation with enthusiasm
- Increasing corporate image and becoming a brand with national pride.

### Appreciations

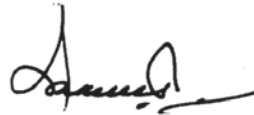
I would like to express my gratitude to the Government of the People's Republic of

Bangladesh, Ministry of Finance, Honourable Governor and other Officials of Bangladesh Bank, and Registrar of Joint Stock Companies and Firms for their continuous assistance, valuable guidelines and co-operation since the very inception of the bank.

I am also thankful to our customers for their continuous support and unwavering confidence in us.

I express my gratitude to our very capable and qualified Board of Directors for their visionary role and guidance. They have been supportive and regularly been taking keen interest in seeing through speedy implementation of policies and programs of the Bank. I would also like to acknowledge contributions of my fellow colleagues and staff here at the Bank.

With best regards,



**Md. Mizanur Rahman**  
Managing Director & CEO









# DIRECTORS' REPORT



## DIRECTORS' REPORT

The Board of Directors of Modhumoti Bank Limited has the pleasure of presenting the very first Annual Report and Audited Financial Statements for the year 2013 together with the Report of the Auditors to the shareholders. Prior to details, we would like to take you back that following incorporation of the bank on June 4, 2013 and after obtaining banking licence on June 9, 2013 we started commercial operation on September 19, 2013 by inaugurating our 1st branch in Motijheel.

The brief overview of the world economy trend especially of those having strong relation with our economy and also a glimpse of performance over our economy is addressed in this Report following performance of overall banking industry and of our Bank. A review of this report would reveal growth of the bank in a stiff competitive environment.

### Global Economy

The world economy experienced subdued growth for another year in 2013. The economy underperformed across almost all regions in the year. Most developed economies continued struggling in an uphill battle against the lingering effects of the financial crisis, grappling in particular with the challenges of taking appropriate fiscal and monetary policy actions. A number of emerging economies, which had already experienced a notable slowdown in the past two years, encountered new headwinds during 2013 on both international and domestic fronts.

Some signs of improvements have shown up more recently the euro area has finally come out of a protracted recession, with gross domestic product (GDP) for the region as a whole returning to growth; a few large emerging economies, including China, seem to have backstopped a further slowdown and are poised to strengthen.

Among developed countries, the United States of America grew at a meagre pace of 1.9 per cent in 2013, significantly lower than the 2.8 per cent growth of the previous year. Fiscal tightening and a series of political gridlocks over budgetary

issues during the year have weighed heavily on growth. Monetary policy has been extremely accommodative, but it has had greater effect on boosting equity prices than on stimulating the real economy.

The IMF forecast global growth to average 3.7 percent in 2014 up from 3 percent in 2013 and to rise to 3.9 percent in 2015. The euro area is turning the corner from recession to recovery. Growth is projected to strengthen to 1 percent in 2014 and 1.4 percent in 2015. The pickup will generally be more modest in the European countries that have been facing varying degrees of financial stress (Greece, Spain, Cyprus, Italy and Portugal), where higher exports would help boost growth while high debt, both public and private, and financial fragmentation will hold back domestic demand.

In Japan, growth is expected to decelerate in 2014–15 after a strong pickup in 2013. The slowing will be more gradual than expected, with the new temporary fiscal stimulus partly offsetting the drag on demand from the consumption tax increase in early 2014.

Emerging market and developing economies are expected to see an increase in growth to 5.1 percent in 2014 and to 5.4 percent in 2015. Growth in China rebounded strongly in the second half of 2013, due largely to acceleration in investment. This surge is expected to be temporary, in part because of policy measures to slow credit growth and raise the cost of capital. Growth is thus expected to moderate slightly to about 7½ percent in 2014–15. Growth in India picked up after a favorable monsoon season and higher export growth, and is expected to increase further thanks to stronger structural policies supporting investments.

Many other emerging market and developing economies have started to benefit from stronger external demand in advanced economies and China. In many, however, domestic demand has remained weaker than expected. This reflects, to varying degrees, tighter financial conditions and policies since mid-2013, as well as policy or



political uncertainty and bottlenecks, with the latter weighing on investment in particular. As a result, growth in 2013 or 2014 has been revised downward compared with the October 2013 forecasts, including in Brazil and Russia.

Among developing countries, growth prospects in Africa remain relatively robust. After a growth of 5.1 per cent in 2013, GDP is projected to accelerate to 4.7 per cent in 2014. A moderate growth recovery in 2014 in emerging and developing countries, led by China, and projected improvement in major developed economies should also stimulate growth in Africa, through increased trade, investment and capital flows.

Inflation remains tame worldwide. Among developed economies, inflation decelerated in the United States during 2013 and is expected to remain below 2 per cent in 2014 and 2015. Inflation has similarly decelerated in the euro area, but has dipped below 1.0 per cent, which has raised some deflationary concerns. In Japan, the large expansionary policies aiming to reflate the economy managed to end the decade-long deflation in 2013, as the consumer price index (CPI) is estimated to increase by 0.3 per cent, and is forecast to hit the target of 2.0 per cent in 2014.

Among developed countries, the unemployment rate in the United States has continued its slow decline, down to 7.0 per cent in late 2013, from a peak of 10 per cent in 2010. In the euro area, while the unemployment rate in Germany is near historical lows of about 5 per cent, Greece and Spain are facing extraordinarily high unemployment rates of about 27 per cent, with the youth unemployment at twice this rate. These high rates in the euro area are expected to come down only slightly, as GDP growth will not be strong enough to make significant progress over the forecast period.

The prices of most primary commodities have declined moderately during 2013, mainly driven by generally weak global demand as global economic growth remained anaemic. Oil prices were on a downward trend in the first half of 2013, as global demand for oil weakened along with the deceleration in world economic growth overall. Most recently, global oil supply has been declining

modestly: increased oil supply in North America has been offset by declines in the North Sea, while high Saudi output only partly counterbalanced a collapse in Libyan production. As production is expected to increase by a large margin in 2013-2014, food prices declined steadily during 2013, with prices for wheat, maize and rice declining by about 5-10 per cent. In the outlook, food prices are projected to moderate further in 2014-2015 based on the assumption of continued increases in the global production of these grains.

International trade as the engine for global growth has shifted to a low gear over the past two years. After growing at a sluggish pace of less than 3 per cent in 2012, as measured by the volume of world exports, international trade flows are estimated to have grown by 2.3 per cent during 2013.

(Source: World Economic Situation and Prospects 2014, United Nations, New York, 2014, IMF Survey Magazine: IMF Research)

### **Bangladesh Economy**

In the last quarter of 2013, economic activities across all sectors and especially the dominant services sector were generally dampened due to political instability prevailing at the time. Services growth declined from 6.3 percent in Fiscal Year (FY) 12 to 6.06 percent in FY13 due to direct impact of strikes and political unrest. On the basis of 2005-06 base year data, large and medium scale manufacturing industries grew by 9.03 percent in July-October 2013 compared to the same period last year. According to the Bureau of Statistics (BBS) of Bangladesh, GDP growth in FY 2013-14 was forecast to be 6.12 percent.

Agriculture output growth weakened to 2.2 percent in FY13 primarily because of stagnant cereal crop production coupled with a drop in profitability due to lower output prices and increased production costs for farmers in the first half of FY13. Total food grain production in FY13 was 34.89 million metric tons—almost the same as last year. Boro (the largest rice crop) production increased marginally over that of last year despite reduced acreage and damage caused by cyclone Mahasen. Adequate supply of water at the maturity stages, spread of recently introduced rice seed





The Bank donated wheel chairs for Rana Plaza victims



Barrister Sheikh Fazle Noor Taposh, MP handed over a cheque to Honorable Prime Minister Sheikh Hasina for flood affected people

varieties, and good weather conditions helped increase boro yield. In July-September 2013, 2.41 mmt aus was produced, lower than the annual target of 2.43 mmt. In October-December 2013, the aman crop, harvested in the second quarter, was 13.02 mmt slightly lower than its annual production target of 13.28 mmt. Information from the Department of Agricultural Extension (DAE) shows that transplanted aman crop, potato and wheat have grown on 3.5, 10.0 and 7.9 percent more land respectively than targeted.

Following an increase to 26.5 percent of GDP in FY12, total investment increased further to 26.8 percent in FY13 entirely because of a near 27 percent increase in public investment in real terms. Consequently, public investment as a percent of GDP increased to 7.9 in FY13 from 6.5 in FY12 - the highest in Bangladesh's history. There was no significant breakthrough in the inflow of FDI during the first half of FY2014. Overall FDI flow during July-December 2013 was US\$ 840 million, compared with US\$797 million in the first half of FY13. The increase in public investment reflects improvements in Annual Development Plan (ADP) utilization and an increase in public investment outside the ADP.

Balance of payments position in October-December 2013 remained reasonably comfortable driven largely by a positive current account balance (CAB) of USD 1.11 billion, about USD 258 million higher than October-December 2012. Faster growth in export earnings coupled with slower growth in import payments contributed to this development. The overall balance was in surplus to the amount of USD 1.57 billion during the quarter. Foreign exchange reserve accumulation continued

its upward trend, increasing to USD 18.08 billion at the end of December 2013 compared with USD 12.75 billion at the end of the same quarter last year. Remittance inflow grew at negative (-) 8.87 percent compared to the same period of previous fiscal year is also likely to have adverse effects on consumption and investment demand. Gross foreign exchange reserves of Bangladesh Bank increased by \$5 billion to \$18 billion as on end of December 2013. The foreign exchange market remained mostly stable as the exchange rate stayed at Tk. 77.75 per USD during October-December 2013 despite higher export earnings and lower import payments.

Point-to-point inflation experienced an upward trend during October-December 2013 due to continuous rise in food inflation. After dropping to 1.8% in September 2012 from a peak of 14.9% in September 2011, food inflation rose back to 8.7% in April 2013. Food inflation began moderating from July, reaching 7.9% in September 2013, but started rising in October, reaching 9.0% in December 2013. The observed high domestic prices may be attributed to supply-side disruptions, triggered by national strikes, as well as rising food inflation in India.

The BB's Monetary Policy Statement for July-December 2013 envisaged targeting a monetary growth path to curb inflationary pressures 'while ensuring that credit growth is sufficient to stimulate inclusive growth.' It sought to keep broad money growth at around 17 percent while raising domestic credit growth to 17.2 percent and private-sector credit growth to 16.5 percent.

In October-December 2013, a slightly broader

definition of private sector credit which includes micro-finance institutions (in addition to banks and non-banks) grew by 12.0 percent compared with 16.2 percent of the same period of previous year. The BB repo and reverse repo rates remain unchanged at 7.25 and 5.25 percent respectively in December 2013. The call money rate came down to 7.11 percent at the end of December 2013.

### A glimpse on overall banking industry

Banking sector indicators for October-December 2013, showed an improvement compared to the same period of previous year as well as of July-September 2013 due mainly to relaxation of loan rescheduling policy in December 2013 as business disruptions caused by nationwide strikes at the time. Gross non-performing loans (NPL) fell from 12.8 percent at the end of July-September 2013 to 8.3 percent at the end of October-December 2013. The ratio of net NPL of the sector has also decreased from 5.0 percent at the end of September 2013 to 2.0 percent at the end of December 2013 due partly to the new loan-rescheduling rules and decreased shortfall in actual provision maintained by the banks. During October-December 2013, the capital adequacy ratio (CAR) increased to 11.5 percent from 9.1 percent in July-September 2013. Among the profitability measures, return on asset (ROA) in the banking sector improved from 0.6 percent at the end of December 2012 to 0.9 percent at the end of December 2013 primarily due to increase in non-interest income of the sector (especially from investments in Government securities) and small provision deduction requirement for bad debt by the SCBs. Return on equity (ROE) of the banking

industry also increased to 10.8 percent at the end of December 2013 from 8.20 percent at the end of December 2012.

## Business Review

### Deposits

The Management was aware that loans and advances could not be streamlined wisely in a shorter period especially when there is political turmoil situation in the country, as such didn't emphasized on mobilizing deposits, which helped us reducing interest expenses. The Bank mobilized total deposits of BDT 1,679.70 million during the first year operation of 2013, which is less than of a quarter actually. Despite lot of hurdles, the Bank introduced attractive deposit products and ensured competitive interest rates to the small depositors. The clientele group of the Bank are individuals, corporation, NGO, NBF, government bodies etc. Fixed deposits are the main component of deposits contributing 92.87% of the total deposits so far. For achieving a better deposit mix, the bank has already planned for reducing proportion of high cost deposit in its total deposit, which would be reflected in 2014.

The Management continues quest for developing lucrative products and also ensuring superior customer service and hope that deposit mobilization efforts of the Bank shall attract notable deposits in the year 2014.

### Loans and Advances

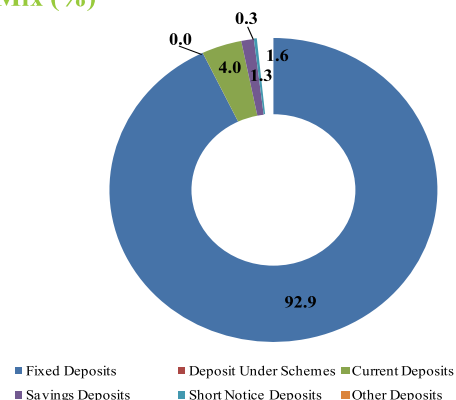
Modhumoti Bank Limited believes in the concept of financial inclusion and vision is to reach all the

### Deposit Mix

Figures in million BDT

Type	Volume
Fixed Deposits	1,559.99
Deposit Under Schemes	0.16
Current Deposits	66.50
Savings Deposits	20.99
Short Notice Deposits	4.93
Other Deposits	27.13
<b>Total</b>	<b>1,679.70</b>

### Deposit Mix (%)



segments of the society and provide a smooth access towards their success in life. Accordingly, the Bank put emphasises not only to established businesses, but also to new entrepreneurs. The Bank's plan is not to concentrate loans and advances to any particular sector or segments of the society, but to be diversified amongst various sectors, which will also mitigate risk of the Bank, though the fact is that it has not made possible by 2013 due to lot of constraints, mainly political disturbances. Total loans and advances of the Bank stood at BDT 34.71 million as on 31 December 2013. Major sectors where the Bank extended credit facilities around 66.44% of the total loans and advances have been disbursed as working capital finance. It may be mentioned that more than ten times that of actual disbursement have been sanctioned in different sectors including some large corporate enterprises and small and medium Enterprises (SME), which will be reflected in 2014.

Further, it may be mentioned that the Bank extended non-funded credit facilities of BDT 156.21 million in 2013, basically that is various types of guarantees require for businesses for various reasons.

### Foreign exchange business

Facilitating International Trade through Export and Import financing is one of the key activities of the Bank. Although the bank planned to provide foreign exchange related services to its customers from the very beginning, but political unrest and hartal which disrupted economic activities in the

country delayed delivery of such services. The Bank obtained 2 AD licenses for its branches as well equipped the branches with highly trained professionals to handle varied needs of import and export based clients. In the meantime the Bank was able to established foreign correspondence with 97 institutions and opened 8 Nostro Accounts in all major currencies so far, the business consequence of which would be reflected in 2014. Upcoming year, we will increase the correspondent network & credit relationship worldwide to facilitate the foreign trade.

The Bank has already started Educational Relationship Service (ERS) under which any of AD Branches of the Bank can open Student file that requires transmitting fund abroad for a Bangladeshi student. Further, the Bank has already arranged for Remittance Services, as a Sub-agent of Western Union to start the service initially and also arranged account opening facilities for NRBs. More Exchange House arrangements will be made over the period to facilitate Bangladeshi Nationals remitting to the country in a smooth and safe manner. Besides, the Bank has taken steps to start Offshore Banking activities soon.

### Capital

The Modhumoti Bank Limited was formed with Authorized Capital of BDT 20,000.00 million of 2,000 million Ordinary Shares of BDT 10.00 each. Paid-up Capital of the Bank was BDT 4,520.00 million as of 31 December 2013 and total eligible capital of the Bank stood at BDT 4,579.12 million at the time Annual Report authorized to issue.



The Executive Committee is in a meeting chaired by Barrister Sheikh Fazle Noor Taposh, MP





### Branch Network

The Bank commenced its operation on 19 September 2013 by inaugurating its first Branch at Motijheel Commercial Area. Though Bangladesh Bank permitted for opening 6 branches in 2013, but the Bank established only 2 within the year and the rest 4 branches opened within the first quarter of 2014. Currently the Bank has 7 (seven) branches at Motijheel, Gulshan, Mitford, Ashulia in Dhaka, at Amberkhana in Sylhet, at Kanaipur in Faridpur and at Jinnahagar in Jinaidah. The Bank has already obtained permission for opening 10 more branches in 2014, implementation of which is under process.

### Product and Services

Since inception, the bank has been offering a number of attractive financial products and services to accommodate the requirement of people of all classes. The Modhumoti Bank Limited is the first bank in Bangladesh offering privilege service to freedom fighters of the country. As a part of tribute to the best sons of the soil, freedom fighters will be offered 0.25% additional interest annually on any deposit account, and be given 0.25% discount on loans and advances taken by them personally.

The Bank has already introduced the following deposit products:

- Current Deposit Account (Regular)
- Short Notice Deposit Account
- Savings Account (Regular)

- Savings Account (Staff)
- Freedom Fighter's Savings Account
- Foreign Currency Account
- Exporters Retention Quota Account - E.R.Q In FCY
- Fixed Deposit Receipt (for various tenures)
- Monthly Savings Scheme
- Monthly Income Scheme
- Double Benefit Scheme
- Triple Benefit Scheme

Recently the Bank has introduced the following deposit products:

- School Banking Savings Account
- Young Star's Savings Account

Besides, the Bank has already introduced the following loans and advances:

- Term Loan
- Short Term Loan
- SOD (FDR)
- Overdraft (General)
- Cash Credit Hypo
- Payment Against Document(PAD)
- Loan Agn. Trust Receipt (LTR)
- Local Documentary Bill Purchase-LCY
- Local Documentary Bill Purchase-FCY
- Car Loan
- Modhumoti Bank Personal Loan
- Modhumoti Bank H.B.L Loan Residential/ Commercial





The Bank has also introduced the following specialized loan products:

### **SME Banking Products**

- Modhumoti Goti  
(start up loan for small entrepreneurs)
- Modhumoti Progoti  
(for capital financing)
- Modhumoti Agrogoti  
(for working capital financing)
- Modhumoti Moushumi  
(for financing seasonal business purposes)
- Modhumoti Labonnyo  
(for financing women entrepreneurs)

### **Agriculture Loan Products**

- Modhumoti Shamolima  
(for pure agriculture purpose)
- Modhumoti Shamolchhaya  
(for agri farm financing)
- Modhumoti Shamolmaya  
(for Any agri-purpose loan)

### **ICT Infrastructure**

Modhumoti Bank has taken initiative to establish international standards ICT solutions, processes and equipments to provide world-class products and services to its clientele, considering Information and communication technology systems as essential assets of the banks and as well as of customers and stakeholders. From the very

first day of operation, the Bank started with state-of-art Data centre and centralized real time core banking solution.

With the expansion of branches' network, ICT department provided all kinds of technical setup and facilities in diversified delivery channels. Online banking amongst branches, transaction-immediate SMS alert services, SWIFT services and electronic cheque clearing were operational since beginning. To have access of banking services round the clock, ATM and internet banking facilities are made available to all customers. Moreover, to increase and widen its ATM and POS terminals accessibility, we signed up with Q-Cash - the largest Shared ATM/POS network in Bangladesh.

ICT policy and strategy has been formulated to give clear guidelines, rules & regulation for all activities and operations related to data security, facility design, physical security, network security, disaster recovery and business continuity planning, use of hardware and software, data disposal, and protection of copyrights and other intellectual property rights to protect the Bank, its employees and stakeholders.

In addition, we implemented the best ICT Security standards and practices with the installation of Windows Active Directory Services (Server O/S 2012 & Exchange 2013). These facilitate user-friendly as well as controlled desktop computing. In near future, we are planning single sign-on features environment which enable a user to enter the same ID and password to logon in multiple applications.

Introduction of Internet banking, e-Recruitment, IP telephony and Audio-Video conference are not only reducing operating cost but also ensuring meaningful commitment towards Green Banking. Automation of work processes, digitization of office papers, more electronic interaction within office and with valued and prospective customers save natural resources and carbon footprint. In near future, customers can access to their account from mobile phones anytime- anywhere.

Electronic Fund transfer to other banks' account, utility bills payment, agent banking and customer care centre will be new additions to the electronic banking which will enable the clients to have access to many of our banking facilities.

### **Privilege Banking**

In recognition of the contribution of the Freedom Fighters, Modhumoti Bank limited has introduced Privilege Banking, a dedicated banking service for the Freedom Fighters, which is the first ever banking product in the country in 2013. Through this service, the Freedom Fighters are availing privilege rate which is additional 0.25% for deposits and discount of 0.25% for loans and advance. To promote this banking amongst the Freedom Fighters, Modhumoti Bank Limited hold a monthly campaign named as 'Freedom' during the month of March 2014. At the end of the campaign, the bank honoured Freedom Fighters for their outstanding contribution in the Liberation War 1971.

### **Retail Banking**

As a fourth generation bank, Modhumoti Bank limited has already focused on retail banking due to its higher return on investment. The Bank has concentrated on personal and vehicle loan considering the demand of the limited earning group. The bank is also focusing on household durable loan as it improves the life style of the consumers and the society as well.

### **Priority Banking**

At MMBL we offer exclusive service to our Priority clients so that they can be confident and move forwards to achieve their goals. Dedicated Relationship Managers are there to provide benefits to suit Priority Clients' banking needs.

The Priority customers shall enjoy the following privileges initially, which would be enhanced from time to time.

- Superior customer service – for day to day banking needs, investments, financial planning and wealth growth
- Priority Bank Card
- Priority Banking Counter
- Priority Waiting room caters
- Exclusive parking

### **Debit Card**

Plastic Card is now considered as the future business considering its convenience and utilization round the clock. To address the need based products, Modhumoti Bank took initiatives in late 2013 for introducing Proprietary ATM Debit Card that has been finally inaugurated in April 2014 as a Q-Cash member bank with the operational support of IT Consultant Limited (ITCL). Through the ATM debit card the card holders are now availing a lot of service benefits which includes payment of utility bills, POS transactions, flexibility of withdrawal cash from the own ATMs of the bank and the ATMs of Q-Cash member banks and Dutch Bangla Bank. The Bank shall launch its debit and credit card through VISA and Master Card very soon.

### **Corporate Banking**

Modhumoti Bank established Corporate and Investment Banking unit to assess the current position of our Bank and also to identify new markets which would ultimately ensure healthy growth of the bank. The sole aim of establishing Corporate Banking facilities is to differentiate schedule banking operations from other forms of banking. Corporate Banking clients are beneficiaries of customized service packages tailored to the needs to clients as specific as it can be.

### **SME Banking**

SMEs play a key role in any country like Bangladesh where the economy has emerged, in terms of employment generation, income distribution, innovation and development of local market and supply chains.

Most of the SMEs assist in regional and local development since they accelerate rural urbanization by finding it with the more organized urban sector. SMEs use a combination of innovation in proposition to develop local products & services for local needs using local resources, thus though SMEs it is possible to achieve fair and equitable distribution of wealth by regional dispersion of economic activities.

Despite plan to move, we could not emerge with the variety of SME products in 2013, but made it possible in early 2014. The bank launched Women entrepreneurs' loan product named 'Modhumoti Labonnoyo' and launched a campaign named 'Modhumoti Joyeeta' in April 2014. Due to the attractive features of the product it has become familiar among the women entrepreneurs. The Bank also introduced other loan products titled 'Modhumoti Goti', 'Modhumoti Progoti', 'Modhumoti Agrogoti', 'Modhumoti Moushumi'. To make a significant contribution in our growing economy, Modhumoti Bank Limited has already formulated a comprehensive policy on SME financing.

### Treasury function

The Bank's Treasury desk was active in the market throughout the year in both money market and foreign exchange, and amongst the 4th generation banks was very successful and profitable in 2013. The Bank through its own market capability, analysis and intelligence predicted the situation efficiently and took appropriate initiatives for necessary investment and fund management strategy.

In bank's revenue treasury contributed sufficiently in 2013. Details revenue from different revenue head are given below.

Figures in thousand BDT

Particulars	Interest Income
Interest Income Call Loan	377.43
Interest Income on FDR Placement	69,100.83
Interest Income on SND	186,467.34
Interest Expense on Call Loan	(3,972.22)
Interest Expense on FDR Borrowings	(211.11)
Interest Expense on General Account	(45,439.99)
<b>Total Earning from Treasury Activities during 2013</b>	<b>206,322.28</b>

### Human Resources

The Bank believes that the human resources are main elements behind the success and future sustainability of the bank, and as such we have been developing and motivating the workforce with contemporary HR policies and attractive benefits. An employee-friendly environment is required at where employees enjoy working with pride. From that point of view, the bank is not only offering a job but also learning, challenging and rewarding career. As on 31 December 2013, a total of 58 employees working at this Bank, out of which 48 were male. Amongst the employees, 9 were holding Executive positions in different capacities. During the reporting time, several



The Bank organized foundation training for fresh officers at BIBM



training programs were arranged, even for the sub-staffs on etiquette and manner, the view of all efforts is to create human capital for a longer period. Besides, it is to be mentioned that the Bank is not only opened doors for experienced, but also to fresh ones through competitive recruitment process.

**Financial Review**

**Total Assets**

The Bank's total assets as on December 31, 2013 amounted to BDT 7,874.92 million. Among the total assets outstanding in 2013, loans and advances constituted 0.44%, investments 1.64%, Balance with other banks 93.27% and other assets 4.65%.

**Operating Profit**

Within a very short time, i.e., a period less than 3 months since start of banking operation and despite prevailing adverse business environment, the bank earned operating profit to the tune of BDT 113.10 million in 2013. In this regard, we would like to take the advantage that the scenario in terms of earning operating profit will be changed over time when the Bank will run full swing and the Branches will be able to contribute in earnings.

Figures in BDT million

Interest Income	256.17
Less: Interest Expenses	48.63
Net Interest Income	207.54
Add: Non- Interest Income	2.42
Total Operating Income	209.96
Less: Non Interest Expenses	96.86
<b>Operating profit</b>	<b>113.10</b>

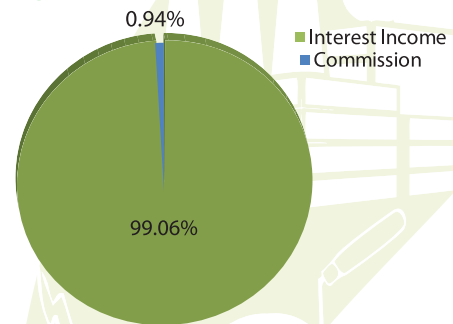
**Total Income**

Total income of the Bank stood at BDT 258.59 million at the end of 2013, out of which Interest income accounted for 99.06%, commission income 0.94% to total income.

**Total Income**

Components	Amount in BDT million
Interest Income	256.17
Exchange Gains	-
Commission	2.42
Other Income	-
<b>Total</b>	<b>258.59</b>

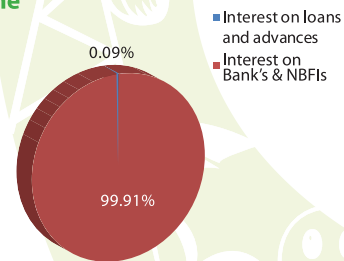
**Total Income**



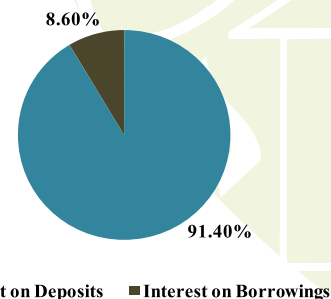
**Interest Income**

Interest income of the Bank stood at BDT 256.17 million in 2013, where Interest on loans and advances was accounted for 0.09%, while interest on Bank's & NBFIs 99.91%.

**Interest Income**



**Interest Expenses**



■ Interest on Deposits ■ Interest on Borrowings



## Interest Expenses

At the end of the year 2013, interest expenses of the Bank stood at BDT 48.63 million in the following manner:

Components	Amount in BDT million	% of Total
Interest on Deposits	44.45	91.40
Interest on Borrowings	4.18	8.60
<b>Total</b>	<b>48.63</b>	<b>100.00</b>

## Net Interest Income

At the end of 2013, net interest income of the Bank stood at BDT 207.54 million.

## Net Interest Margin (NIM)

Bank's net interest margin, which is derived from net interest income divided by average earning assets, was 2.63% in 2013. The Bank is aware to increase earning assets and in the mean time, significant growth have been registered that been reflected in the accounts for 2014.

## Total Expenses

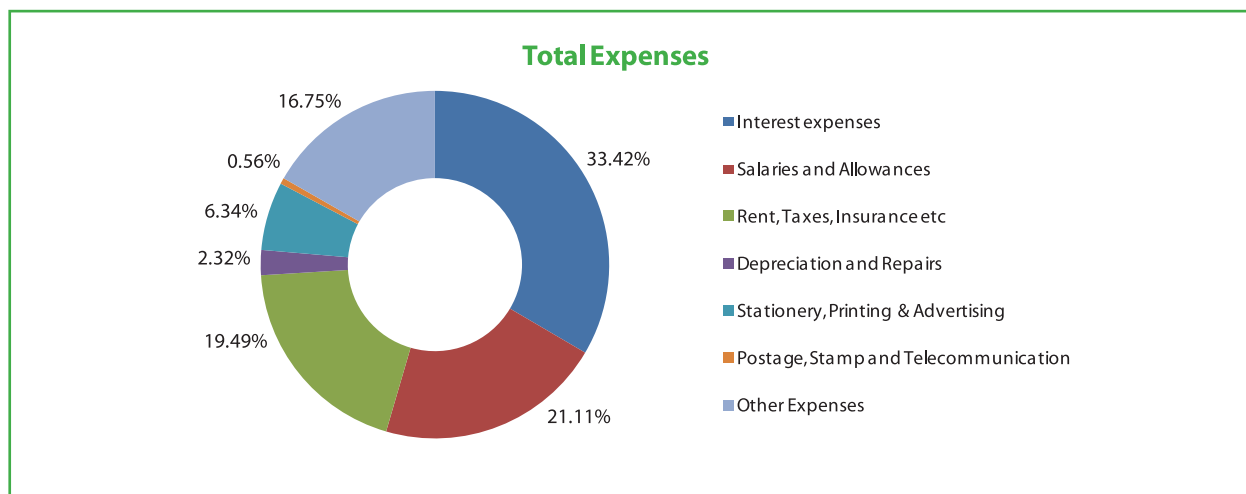
The total expenses of the Bank stood at BDT 145.49 million during 2013. Interest expenses accounted for 33.42%, salaries and allowances 21.11%, and other expenses 45.47% of total expenses.

	Amount in BDT million
Interest expenses	48.63
Salaries and Allowances	30.72
Rent, Taxes, Insurance etc	28.36
Depreciation and Repairs	3.37
Stationery, Printing & Advertising	9.22
Postage, Stamp and Telecommunication	0.82
Other Expenses	24.37
<b>Total Expenses</b>	<b>145.49</b>

## Provision

In 2013, all of loans and advances were considered standard and therefore provision against unclassified loans was made to the tune of BDT 0.35 million and General provision on off-balance sheet outstanding BDT 1.56 million; according to requirement set by Bangladesh Bank from time to time.

Status	Base for Provision	Rate (%)	Amount in million BDT
Unclassified-General loan	23.06	1.00	0.23
Unclassified-Consumer Finance	5.10	2.00	0.10
Unclassified-SME & SPL			



Required provision for loans and advances	28.16		0.33
Total Provision maintained			0.35
Excess / (short) provision at 31 December 2013			0.02

### Net Profit before Tax

After transferring all provisions, net profit before tax stood at BDT 111.19 million in 2013.

### Provision for Income Tax

In 2013, the Bank made a provision of BDT 54.28 million against current year income tax.

### Profit after Tax

Net profit after tax stood at BDT 56.91 million in 2013.

### Earnings Per Share (EPS)

At the end of 2013, earning per share of BDT 10.00 each was BDT 0.13, weighted average of which may be assumed to BDT 0.44 for yearlong activities.

### Proposed Dividend

The Board of Directors didn't recommend any dividend towards its shareholders for the year 2013.



The Chairman inaugurated SWIFT Operations

### Statutory Reserve

In 2013, Bank transferred BDT 22.24 million to statutory reserve account @ 20% of Profit before tax as per Section-24 of Banking Companies Act 1991.

### Operating Efficiency Ratio

Operating Efficiency Ratio stood at 37.45% in 2013. This measures how much operating expenses are incurred to generate operating revenues.

Figures in BDT million

Total Operating Expenses	96.86
Total Operating Income	258.59
Operating Efficiency Ratio	37.45%

### Contribution to National Exchequer

The Modhumoti Bank Limited is a responsible corporate citizen. Corporate tax of BDT 8.88 million was withheld from income and deposited to the government exchequer. The Bank also deposits excise duty, withholding tax and VAT, deducted from employees' salary as well as payments to customers and vendors, to government exchequer on time amounting BDT 11.33 million. The Bank has made provision of corporate tax payable of BDT 54.28 million for the year 2013.

### Outlook 2014

In 2014 and beyond, the bank shall continue expanding its branches, service areas with new products and services. As the bank believes in financial inclusion, unbanked population shall be brought under its fold. The Bank has already



The Bank appointed CRAB for Credit Rating



The Board's Risk Management Committee is in a meeting chaired by Mr. Mostafa Kamal

executed arrangement with Western Union and other international money transfer houses, as such will explore ways of channelling foreign remittance to the country. As the bank believes in green banking philosophy, it will continue introducing green banking products. The Bank will emphasis on SME financing; especially towards the new entrepreneurs.

We always keep in mind that we have to congregate capacity and capability in such manner so that may able to compete in the present competitive banking arena, not just within the newly established fourth generation banks. As such, we have to be flourished ourselves in all the segments and strengthen position by expanding core business activities, particularly in Trade Finance, Commercial Lending to SME and Agriculture, Structured Finance, Import, Export and Remittance business. In regard to liability management, the Bank will remain focused on growing its core customer deposits and also improve its deposit mix to have competitive funding cost.

Presently the Banking business does not stand just on spread nor depends only on deposits and traditional financing. The Bank will continue to enhance its delivery standards, promote fee-based activities and pursue greater cost efficiency and staff productivity by promoting a pro-active business process.

### **Green Banking and Corporate Social Responsibility**

Corporate social responsibility is more important than ever in the current economic scenario.

Modhumoti Bank makes every effort to play an active part as a corporate citizen, taking into consideration stakeholder needs. One of our major stakeholders are our customers and serving our customers at the utmost and ensuring safety of their savings are our primary responsibility; therefore the Bank since inception follows a cautious approach and financial policy prioritizing customer safety. This strategy will motivate us to introduce more pro-customer products and services and also allow us preserving existing customers and increasing new ones through them, which is very important especially at this early moment.

The Bank is aware strengthening internal control and risk management culture to simplify the way of doing business, delivering greater precision and ensuring increased profitability. These will enhance sustainable customer relationship. Also initiatives to ensure credit risks of customers, considering environmental and social issues, when assessing a credit proposal, are also taken into consideration. By offering customers doing transactions by using mobile phones, tablets or computers in near future, we will be becoming a greener, more proficient bank. This in also decrease costs, reduce our impact on the environment and most importantly, ensure our sustainability.

In the meantime, the Bank has framed Green Banking Policy and also took efforts to ensure green office management. A separate Division has been approved. The bank is also taking measures to ensure a 'paperless' office management in future. We have a vigorous plan set out for the



upcoming year to take even larger steps and enlarge our portfolio in the Green Banking sector.

The Bank was aware on establishing corporate governance inside the Bank and emphasized on compliance of rules and regulations of the country and also abided social and industrial norms, so such we may establish a complied bank in all terms over the period.

The Bank is aware on development of our employees, ensuring proper career and prosperous future for them. As such, the Bank has already formulated employee-friendly policy, rules and regulations for them like car loan facilities or employee house building loan at a lower interest rate etc., which will also be continuing in upcoming days.

The Bank, as a Corporate Citizen is aware to contribute in social development activities. Priority for less privileged population segments and underserved economic sectors will be given. Donations and Philanthropy activities will be operated for development of education, health, disaster relief, sports, art and culture and environment and all of our activities will be justified in humanitarian aspects.

### Corporate Governance

The Board of Directors is fully committed maintaining the highest standards in corporate governance, professionalism and integrity in driving the Bank in such manner at where the

role of the Board and the Management is clearly defined with a view to enhancing stakeholders value and increasing confidence and trust of customers in a competitive banking environment under requisite governance policies and processes. In 2013, the Board approved and ratified many policies and operating manuals as proposed by the Management from time to time.

### Board of Directors

The First Board of Directors was formed consisting 19 members from sponsor shareholders on 4th June 2013 during incorporation as per Articles of Association of the Bank, amongst them Mr. Abdullah Al Islam Jakob resigned from the office of Director of Modhumoti Bank Limited on January 11, 2014 with immediate effect prior to taking oath as Deputy Minister of the Government of the People's Republic of Bangladesh. The Board accepted his resignation and also congratulated him for holding such a dignified office in the Government.

All directors of the Board are non-executive directors having adequate experiences in different business sectors and also holding dignified positions in the society. All are financially literate and quite a few of them are from Financial Management background, which indicates an enriched Board of Directors. The Board Members collectively held 72.12% of total outstanding paid-up capital of the Bank at the end of 2013.

In 2013, 2 (two) meetings of the Board of Directors were held.



The Bank held its Statutory Meeting on 6 May, 2014



## The Board and its Committees

In accordance with the guidelines stated through BRPD Circular No. 11 dated 27 October 2013 for ensuring corporate governance within the Bank, the Board formed the Executive Committee of the Board of Directors consisting of seven members and also an Audit Committee of the Board of Directors consisting of three members in its very first meeting. The Executive Committee was formed in the following manner and held 3 (three) meetings in 2013.

Name of the Directors	Designation
Barrister Sheikh Fazle Noor Taposh, MP	Chairman
Alhaj Anwar Hossain	Member
Mr. Mostafa Kamal	Member
Mr. Salahuddin Alamgir	Member
Mr. Md. Ismail Hossain	Member
Mr. Nemaï Kumer Saha	Member
Mr. Humayun Kabir	Member

Besides, the Board's Audit Committee was formed in the following manner and held 1 (one) meeting during 2013 due to political turmoil situation in the country.

Name of the Directors	Designation
Mr. Shaikh Salahuddin	Chairman
Mr. Md. Abul Hossain	Member
Mr. A Mannan Khan	Member

In the meantime, the Risk Management Committee of the Board of Directors has also been formed in following manner:

Name of the Directors	Designation
Mr. Mostafa Kamal	Chairman
Mr. Mohammad Ali Talukder	Member
Mr. Md. Didarul Alam, MP	Member

### Director's Remuneration

Directors are not eligible to any remuneration other than for attending any meeting of the Board and its Committee. As per DFIM Circular No. 03, dated February 24, 2010 of Bangladesh Bank, directors are eligible to the remuneration highest BDT 5,000 for attending each meeting.

## Retirement and Re-election of Directors

In terms of Section 79 of the Schedule-I of the Companies Act, 1994 and Article 136 of the Articles of Association of the Bank, all of the Directors shall retire from office at the first Ordinary General Meeting of the Company. According to Article 138, a retiring Director shall be eligible for reelection.

### Appointment of Auditors

M/s. Hoda Vasi Chowdhury & Co, Chartered Accountants, the current Auditors were appointed in the first meeting of the Board of Directors held on 1 August 2013 and will retire from office in the First Annual General Meeting. Since they have audited the accounts of the Bank for one year only, i.e., for the year 2013; they are eligible for re-appointment for next term according to Bangladesh Bank Circular No. BCD(P)748/3/546 dated 31.03.1991.

### Acknowledgements

We believe that we have successfully been able to have a good start and the bank will achieve a good market position for facing the challenges in future and it will be strengthened over time by enhancing its ability of delivering 'satisfaction' to all of our stakeholders and by ensuring superior performance in long term.

On behalf of the Board of Directors, I take the opportunity to express our heart-felt appreciation and gratitude to the Government of the People's Republic of Bangladesh, Ministry of Finance, Bangladesh Bank, Registrar of Joint Stock Companies and Firms for their kind cooperation, valuable guidance and advice provided to the Bank from time to time.

The Board of Directors also expresses deep appreciation to the Management and all employees and sub-staffs for their dedicated and efficient services and also to all the clients, sponsors, patrons and well-wishers for continuing support and patronage.

On behalf of the Board of Directors,



**Humayun Kabir**  
Chairman



# REPORT OF BOARD'S AUDIT COMMITTEE





## Report on the activities of the Board's Audit Committee

The Audit Committee of the Board of Directors was duly constituted by the Board of Directors of Modhumoti Bank Limited in its 1st meeting held on 01 August 2013 with the following members:

Name	Status with the Committee	Status with the bank
Mr. Shaikh Salahuddin	Chairman	Vice-Chairman
Mr. Md. Abul Hossain	Member	Director
Mr. A Mannan Khan	Member	Director

Basically, the Audit Committee of the Board of any Bank is responsible for oversight of effective implementation of the processes set out in business plans and policies of the bank in compliance with Central Bank's Guidelines as well as rules and regulations of a country. The scope of the activities of Audit Committee mainly include independent supervision of internal control system and implementation of corporate goals as envisaged by the Board of Directors, compliance to state laws and regulatory obligations, assessment of the company's financial reporting along with non financial corporate disclosures, etc.

### Meetings and key activities in 2013:

Hence, the Bank is a new one starting operation since 19 September 2013, the Audit Committee held 01(one) meeting in the year 2013. In the first meeting, the Committee adopted Terms of Reference (ToR) according to BRPD Circular No. 11 dated 27 October 2013 in the light of Banking Companies Act 1991 as amended in 2013 and also advised the management to take necessary action for establishing a unique and up-to-the – mark Internal Control and Compliance System in the Bank with adequate facilities complying policy guidelines by Bangladesh Bank and also reviewed information on expenses incurred up to the date for establishing the Bank and directed the Management to extend necessary co-operation to the External Auditors, so that they may able to submit the report within the time frame.

Here we may mention that we have already held several meetings in 2014, at where reviewed the financial statements for the year 2013 audited by M/s. Hoda Vasi Chowdhury & Co., Chartered Accountants and recommended to place before the Board, which is placed in this Annual General Meeting.

The Committee stressed on the following:

- To meticulously comply with all regulatory requirements set forth by Bangladesh Bank and Bangladesh Securities & Exchange Commission (BSEC).
- To improve the deposits mix with a view to bring to down the cost of fund.
- To complete all documentation formalities in the loan accounts and foreign trade.
- To comply Anti Money Laundering rules and regulations by maintaining KYC .
- To strengthen internal control systems.
- To prepare manpower planning for each Branch and Divisions of Head Office.
- To define roles & responsibilities of all officers/ executives of the Bank.
- To develop a strong Management Information Systems (MIS).

- To open accounts with proper documents and complying all the rules and regulations in force.

As it is a new Bank and as we are acting newly as members of any Audit Committee, it is a novel experience for all of us, but we are committed to serve with utmost sincerity. We believe that meticulous approach of the Management would assist us to discharge our duties and responsibilities in the next days and we would able to establish our organization as a compliant one in every manner.

The Audit Committee accords its sincere thanks and gratitude to Members of the Board, Management team and Auditors for their continuous support to Modhumoti Bank from the very beginning of its journey.

With warm regards,



**Shaikh Salahuddin**

Chairman

Audit Committee of the Board of Directors



## QUALITATIVE AND QUANTITATIVE DISCLOSURES UNDER PILLAR- III OF RISK BASED CAPITAL ADEQUACY(BASEL-II) DECEMBER 31, 2013

The following detailed qualitative and quantitative disclosures are prepared in accordance with Guidelines on Risk Based Capital Adequacy (Basel-II) by Bangladesh Bank. The purpose of this report is to complement minimum capital requirement and Supervisory review process. These disclosures are intended for more transparent and more disciplined financial market where the participants can assess key information about the Bank's exposure to various risk.

### A) Scope of Application

#### Qualitative Disclosures

- a) The name of the top corporate entity to which this framework applies: Modhumoti Bank Limited.
- b) The quantitative disclosures are made on the basis of audited financial statements of the bank for the year ended December 31, 2013 prepared under relevant international accounting and financial reporting standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and related circulars/instructions issued by Bangladesh Bank from time to time.
- c) The BRPD circular 05 dated 09 April 2005 regarding 'Single Borrower Exposure Limit' is being applied by the Bank in determining maximum amount of finance.

#### Quantitative Disclosure

- d) There are no subsidiaries of the Bank, so no capital deficiency in the financial year 2013.

### B) Capital Structure

#### Qualitative Disclosures:

- a) The regulatory capital under Basel-II is composed of (I) Tier-1 (Core Capital) and (II) Tier-2 (Supplementary Capital).

Tier-1 capital is the core measure of a bank's financial strength. It consists of highest quality capital items which are stable in nature and allows a bank to absorb losses on an ongoing basis. It includes paid-up capital, statutory reserve, retained earnings.

Tier-2 capital lacks some of the characteristics of the core capital but also bears loss absorbing capacity to a certain extent. General provision on unclassified loans and advances, provision for Off-Balance Sheet items and revaluation reserve on government securities are part of Tier 2 capital.

Tier-1 capital of the bank as of December 31, 2013 is Tk.4,579.91 million which is 99.95% of total eligible capital and out of total Tier-1 capital 98.76% is paid up & 0.49% is statutory reserve. Tier-2 capital is Tk. 2.21 million which is 0.05% of total eligible capital and the major contributors are general provision on loans and advance including Off-Balance sheet items.

#### Capital requirement rules:

The calculation of Tier 1 capital, Tier 2 capital, and Tier 3 capital shall be subject to the following conditions:

- i. The amount of Tier 2 capital will be limited to 100% of the amount of Tier 1 capital.

- ii. 50% of revaluation reserves for fixed assets and securities eligible for Tier 2 capital.
- iii. 10% of revaluation reserves for equity instruments eligible for Tier 2 capital.
- iv. Subordinated debt shall be limited to a maximum of 30% of the amount of Tier 1 capital.
- v. A minimum of about 28.5% of market risk needs to be supported by Tier 1 capital. Supporting of Market Risk from Tier 3 capital shall be limited upto maximum of 250% of a bank's Tier 1 capital that is available after meeting credit risk capital requirement.

#### Quantitative Disclosures:

b)

Figures in Million BDT

<b>b)Tier-1(Core capital)</b>	Solo (Bank)
Paid-up capital	4520.00
Non-repayable share premium account	0.00
Statutory reserve	22.24
General reserve	0.00
Retained earnings	34.67
Minority interest in subsidiaries	
Non cumulative irredeemable preference shares	
Dividend equalization account	
<b>i)Total Tier-1 capital</b>	<b>4,576.91</b>
<b>c)Tier-2 (Supplementary capital)</b>	
General provision(unclassified loans, SMA, off balance sheet)	1.92
Asset revaluation reserves up to 50%	
Revaluation reserves for securities up to 50%	0.29
Revaluation reserves for equity instruments up to 10%	
All other preference shares	
Subordinated debt	
<b>ii)Total Tier-2 capital</b>	<b>2.21</b>
<b>d)Other deductions from capital</b>	
<b>iii)Total eligible capital(i+ii)</b>	<b>4,579.12</b>

### C) Capital Adequacy

#### Qualitative Disclosures:

The bank is presently following Standardized Approach for assessing and mitigating Credit Risk, Standardized Rule Based Approach for quantifying Market Risk and Basic Indicator Approach for Operational Risk to calculate Minimum Capital Requirement (MCR) under pillar-I of Basel-II framework as per the guidelines of Bangladesh Bank.

**Quantitative Disclosures:**

Figures in Million BDT

	Capital Adequacy	Solo (Bank)
b)	Capital requirement for Credit Risk	2,727.80
c)	Capital requirement for Market Risk	2.60
d)	Capital requirement for Operational Risk	315.00
	Minimum capital requirement (MCR) 4,000.00 million or at actual whichever is higher. The actual MCR is Tk.3,045.40	4,000.00
	Total capital maintained	4,579.12
	Capital surplus over MCR	579.12
e)	Capital Adequacy Ratio(CAR)	150.36%
	Capital Adequacy Ratio(CAR) with Tier-1	150.29%

**D) Credit Risk****Qualitative Disclosures:**

a) Credit risk is the potential loss that may arise from a borrower's failure to repay a loan or meet its obligation in accordance with agreed term.

Credit Approval

Bank's credit policy has been prepared in line with Bangladesh Bank guidelines illustrating the approval process and delegation of authority which require to the approval by the Board. The approval process segregates relationship management/marketing from the approval authority. The approval authorities are delegated to different levels of management and Board committee. Board of Directors of the bank has the highest level of authority to approve any credit proposal and sub delegate such authority to the management and Executive Committee. The Corporate Banking Division starts the processing of the proposal and place it to the CRM with their recommendation. CRM performs the whole process of approval maintain the credit norms and policies. CRM obtains recommendation from the CEC and finally the approval from competent authority based on the CEC recommendation. CRM sends sanction letter addressing the Branch and CC to CAD and Corporate.

Credit Administration

The bank accomplishes documentations and makes disbursements with utmost care to reduce the potential credit risk. The disbursement authority is centralized at Head Office, CAD. Branches send their request to CAD for limit loading after the completion of necessary documentation vide LDCL (Loan documentation checked list). Furthermore, the bank constantly monitors clients' repayment behaviors, fulfillment of conditions given before disbursement and compliance of covenants in post disbursement period.

Credit Monitoring

The loan portfolio with classification status is reviewed periodically and brought to the notice of senior level management regarding down gradation, overdue, special mention account (SMA), classified and rescheduled portfolio along with early alert list for their information and guidance. The Branches are communicated through letters and circulars for implementation of efficient credit risk management in a proper manner including adherence to the Bank's and Bangladesh Bank's rules and regulations.

## Credit Assessment and Grading

Know Your Client (KYC) is the first step to analyze any credit proposal. Banker-Customer relationship is established through opening of CD/SB accounts of the customers. Proper introduction, photographs of the account holders/ signatories, passports etc., and all other required papers as per Bank's policy are obtained during account opening. Physical verification of customer address is done prior to credit appraisal. At least three Cs, i.e., Character, Capital & Capacity of the customers are confirmed. Credit Appraisals include the details of amount and type of loan(s) proposed, purpose of loan (s), result of financial analysis, loan Structure (Tenor, Covenants, Repayment Schedule, Interest), security arrangements. The above are minimum components to appraise a credit and there are other analyses depending on the credit nature.

The bank follows the CRG manual of Bangladesh Bank circulated on December 11, 2005 through BRPD circular no. 18. Borrowers are assigned risk grades based on the qualitative and quantitative factors

their business. There are 08 grades based on the marks obtained in qualitative and quantitative factors. The grades and factors are:

Grading	Short Name	Marks	Number
<b>Superior</b>	SUP	Fully cash secured by Govt.	1
<b>Good</b>	GD	85+	2
<b>Acceptable</b>	ACCPT	75-84	3
<b>Marginal/Watch list</b>	MG/WL	65-74	4
<b>Special Mention</b>	SM	55-64	5
<b>Sub standard</b>	SS	45-54	6
<b>Doubtful</b>	DF	35-44	7
<b>Bad &amp; Loss</b>	BL	<35	8

Quantitative and Qualitative factors/ principal risk components	Weight
Financial Risk	50%
Business/Industry Risk	18%
Management Risk	12%
Security Risk	10%
Relationship Risk	10%

## Credit Risk Mitigation

Potential credit risks are mitigated by taking primary and collateral securities. There are other risk mitigants like netting agreements, credit insurance and other guarantees. The legal certainty and enforceability of the mitigants are verified by the professionals of the respected fields. Collateral types which are eligible for risk mitigation include: cash; residential, commercial and industrial property; assets such as motor vehicles, plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit. Collateral is valued by independent third party surveyor in accordance with the credit policy and procedures.



### Past Due and Impaired Credit

A claim that has not been paid as of its due date is termed as past due claim. Payment may be for repayment/renewal/rescheduling or as an installment of a loan. For loan classification and maintenance of specific and general provision Bank follows BRPD circular no-14 and 19 of 2012 and 05 of 2013, and advised by Bangladesh Bank from time to time.

### Approaches followed for specific and general allowances:

Particulars	Short Term Agri Credit	Consumer Financing			SMEF	Loans to BHs/MBs/SDs	All other Credit
		Other than HF, LP	HF	LP			
Standard	5%	5%	2%	2%	0.25%	2%	1%
SMA	-	5%	2%	2%	0.25%	2%	1%
SS	5%	20%	20%	20%	20%	20%	20%
DF	5%	50%	50%	50%	50%	50%	50%
B/L	100%	100%	100%	100%	100%	100%	100%

NB: CF=CONSUMER FINANCING, HF=HOUSING FINANCE, LP=LOANS FOR PROFESSIONALS TO SET UP BUSINESS, SMA=SPECIAL MENTION ACCOUNT, SS=SUBSTANDARD, DF=DOUBTFUL, B/L=BAD/LOSS, BHs/ MBs,/SDs= LOANS TO BROKERAGE HOUSES/MERCHANT BANKS/STOCK DEALERS.

### Base for Provision:

For the following types of eligible collaterals, provision is maintained at the stated rates mentioned above on the base for provision. Base for provision is calculated deducting interest suspense and the value of eligible collateral from outstanding classified loans.

- i. Deposit with the same bank under lien against the loan
- ii. Government bond/savings certificate under lien,
- iii. Guarantee given by Government or Bangladesh Bank.

For all other eligible collaterals, the provision will be maintained at the stated rates mentioned above on the balance calculated as the greater of the following two amounts:

- i. Outstanding balance of the classified loan less the amount of Interest Suspense and the value of eligible collateral; and
- ii. 15% of the outstanding balance of the loan.

### Eligible Collateral:

The following collateral is included as eligible collateral in determining base for provision:

- 100% of deposit under lien against the loan
- 100% of the value of government bond/savings certificate under lien

- 100% of the value of guarantee given by Government or Bangladesh Bank
- 100% of the market value of gold or gold ornaments pledged with the bank.
- 50% of the market value of easily marketable commodities kept under control of the bank
- Maximum 50% of the market value of land and building mortgaged with the bank
- 50% of the average market value for last 06 months or 50% of the face value, whichever is less, of the shares traded in stock exchange.

#### Subjective Judgment

Considering the nature and performance of a loan, the bank can also classify a particular loan on the basis of subjective judgment taking into consideration the factors such as uncertainty or doubt of repayment, continuous loss of capital, adverse situation, decrease of value of securities, legal suit etc. However, regardless of all rules and regulations the central bank can classify any loan on the basis of their subjective judgment as well as can instruct the bank to make additional provision on non-performing loans.

#### **Quantitative Disclosures:**

##### b) Total gross credit risk exposures broken down by major types of credit exposure:

Total gross credit risk exposures by major types: Bangladesh Bank guidelines on Basel II, stipulated to segregate bank's asset portfolio into different categories, and the below table shows our gross exposure in each asset category.

Figures in Million BDT

	Types	Solo
a	Cash	10.70
b	Claims on Bangladesh Government and Bangladesh Bank	236.50
c	Claims on Banks & NBFIs	7226.70
d	Claims on Corporate	
e	Claims under Credit Risk Mitigation	
f	Claims categorized as retail portfolio & SME (excluding consumer loan )	
g	Consumer finance	
h	Claims fully secured by residential property	5.10
i	Claims fully secured by commercial real estate	23.10
j	1. Past Due Claims (Risk weights are to be assigned net of specific provision):	
	i) Where specific provisions are less than 20 per cent of the outstanding amount of the past due claim ;	
	ii) Where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.	
	iii) Where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.	
	2. Claims fully secured against residential property that are past due for more than 90 days and/or impaired specific provision held there-against is less than 20% of outstanding amount	

	3. Loans and claims fully secured against residential property that are past due by 90 days and /or impaired and specific provision held there-against is more than 20% of outstanding amount	
k	Capital Market Exposure	
l	Unlisted equity investments and regulatory capital instruments issued by other banks(other than those deducted from capital) held in banking book	
m	Investments in premises, plant and equipment and all other fixed assets	88.10
n	Claims on all fixed assets under operating lease	
o	All other assets	
	i)Claims on GoB & BB	
	ii)Staff loan	6.60
	iv) Claims on Offshore Banking Unit	
	v)Others	278.20
	<b>Total</b>	<b>7,875.00</b>

c) Geographical distribution of exposures:

Figures in Million BDT

Region Based	Dhaka	34.71
	Chittagong	
	Rajshahi	
	Sylhet	
	Khulna	
	Rangpur	
	Barisal	
	Total	34.71
Country Based:	Domestic	34.71
	Overseas	

d) Major Industry wise distribution of exposures (Industrial Loan):

Figures in Million BDT

Textile and Garments Industries including Spinning Industries	
Food and allied Industries	
Pharmaceutical Industries	
Chemical, Fertilizer, etc.	
Cement and Ceramic Industries	
Service Industries	
Other Industries	
Total	

## e) Residual contractual maturity breakdown of the whole portfolio:

Figures in Million BDT

On demand	
Less than three months	
More than three months but less than one year	23.06
More than one year but less than five years	3.10
More than five years	8.55
Total	34.71

## f) Major Industry type amount of impaired loans:

Figures in Million BDT

Agriculture	
Large and Medium Scale Industries	
Small and Cottage Industry	
Exports	
Commercial Lending	
Finance to NBFIs	
Real Estate	
Retail Banking	
Transport & Communication	
Credit Card	
Others	
Total	

## g) Gross Non Performing Assets (NPAs)

Figures in Million BDT

Gross Non Performing Assets (NPAs)	
Nonperforming assets to outstanding loans and advances	
Movement of Non Performing Assets (NPAs):	
Opening balance	
Additions	
Reductions	
Closing balance	
Movement of specific provisions for NPAs:	
Opening balance	
Provision made during the period	
Write off	
Write back of excess provisions	
Closing balance	



## E) Equities: Disclosures for Banking Book Positions

### Qualitative Disclosures:

a)

Banking book positions consist of those assets which are bought for holding until they mature. The bank treats unquoted equities as banking book assets. Unquoted equities are not traded in the bourses or in the secondary market, they are shown in the balance sheet at cost price and no revaluation reserve is created against these equities.

### Quantitative Disclosures:

b)

Values of investments as disclosed in the Balance Sheet:

Figures in Million BDT

	Solo	
	Cost Price	Market Price
Unquoted Share		
Quoted Share		

For Banking Book Equity

Figures in Million BDT

	Solo(Bank)
c) The cumulative realized gains (losses) arising from sales and liquidations in the reporting period	-
d)	-
Total unrealized gains(losses)	-
Total latent revaluation gains (losses)	-
Any amounts of the above included in Tier 2 capital	-

e)

Figures in Million BDT

	Capital Requirement Solo(Bank)
Unquoted Share	
Quoted Share	

## F) Interest Rate Risk in the Banking Book (IRRBB)

### Qualitative Disclosures:

a)

Interest rate risk affects the bank's financial condition due to adverse movements in interest rates of interest sensitive assets. Changes in interest rates have two types of impact:

- i. Earnings perspective: It affects a bank's earnings by changing its net interest income and the level of other interest sensitive income and operating expenses.
- ii. Economic value perspective: The economic value of future cash flows changes when interest rate changes.

At present MMBL is following the Bangladesh Bank prescribed format for assessing the economic value due to interest rate shock.

#### Quantitative Disclosures:

b)

##### i. Earnings perspective:

Here, we have used maturity gap method to measure changes in earnings due to changes in interest rates

Figures in Million BDT

Up to 12 Month(Cumulative Gap)	Percentage changes in interest rate	Net interest income and re-pricing impact
4,161.06	1% increase in interest rate	41.61
	1% decrease in interest rate	(41.61)
	2% increase in interest rate	83.22
	2% decrease in interest rate	(83.22)
	3% increase in interest rate	124.83
	3% decrease in interest rate	(124.83)

## G) Market Risk

#### Qualitative Disclosures:

a)

##### **View of the Board of Directors on trading/investment activities:**

Market risk arises due to changes in the market variables such as interest rates, foreign currency exchange rates, equity prices and commodity prices. The financial instruments that are held with trading intent or to hedge against various risks, are purchased to make profit from spreads between the bids and ask price are subject to market risk. MMBL is exposed to market risk mostly stemming from Government Treasury Bills and Bonds, foreign currency etc.

##### **Methods used to measure Market Risk:**

There are several methods used to measure market risk and the bank uses those methods which deem fit for a particular scenario. For measuring interest risk from earnings perspective, the bank uses maturity gap analysis, Duration Gap analysis, Sensitivity Analysis and marked to market method and for measuring foreign exchange risk, the bank uses VaR analysis.

We use standardized (Rule Based) method for Calculating capital charge against market risks for minimum capital requirement of the Bank under Basel-II.

##### **Market Risk Management System:**

The Bank has its own Market Risk Management System which includes Asset Liability Risk Management (ALM) and Foreign Exchange Risk Management under the core risk management guidelines.

Asset Liability Management (ALM): The ALM policy specifically deals with liquidity risk management and interest rate risk management framework.

**Foreign Exchange Risk Management:** Foreign exchange risk arises when the bank is involved in foreign currency transactions. These include foreign currency exchange, placement, investments, loans, borrowings and different contractual agreements. We use different hedging techniques to mitigate foreign exchange risks exposed to the bank.

**Policies and processes for mitigating market risk are mentioned below:**

- Risk Management and reporting is based on parameters such as Maturity Gap Analysis, Duration Gap Analysis, VaR etc, in line with the global best practices.
- Risk Profiles are analyzed and mitigating strategies/ processes are suggested by the Asset Liability Committee (ALCO).
- Foreign Exchange Net Open Position (NOP) limits (Day limit / Overnight limit), deal-wise trigger limits, Stop-loss limit, Profit / Loss in respect of cross currency trading are properly monitored and exception reporting is regularly carried out.
- Holding of equities is monitored regularly so that the investment remains within the limit as set by Bangladesh Bank.
- Asset Liability Management Committee (ALCO) analyzes market and determines strategies to attain business goals.
- Reconciliation of foreign currency transactions.

**Quantitative Disclosures:**

b) The capital requirements for:

	Figures in Million BDT
	Solo
Interest rate risk	2.60
Equity position risk	
Foreign exchange risk	
Commodity risk	
Total	2.60

## H) Operational risk

**Qualitative Disclosures:**

a)

**View of the Board of Directors on system to reduce Operational Risk:**

Operational risk is the risk which may arise directly or indirectly due to failure or breakdown of system, people and process. This definition includes legal risk, but excludes strategic and reputation risk. The bank manages this risk through a control based environment in which processes are documented, authorization is independent and transactions are reconciled and monitored. This is supported by a periodic process conducted by ICCD, and monitoring external operational risk events, which ensure that the bank stays in line with the international best practices.

### Performance Gap of Executives and Staffs:

The bank believes that training and knowledge sharing is the best way to reduce knowledge gap. Therefore, it arranges trainings on a regular basis for its employees to develop their expertise. The bank offers competitive pay package to its employees based on performance and merit. It always tries to develop a culture where all employees can apply his/her talent and knowledge to work for the organization with high ethical standards in order to add more value to the company and for the economy.

### Policies and processes for mitigating operational risk:

The Bank has adopted policies which deal with managing different Operational Risks. Bank strongly follows KYC norms for its customer dealings and other banking operations. The Audit & Inspection Unit of Internal Control and Compliance Division of the Bank, the inspection teams of Bangladesh Bank and External Auditors conduct inspection of different branches and divisions at Head Office of the Bank and submit reports presenting the findings of the inspections. Necessary control measures and corrective actions have been taken on the suggestions or observations made in these reports.

### Approach for calculating capital charge for operational risk:

The Bank has adopted Basic Indicator Approach (BIA) to compute capital charge against operational risk under Basel-II as per Bangladesh Bank Guidelines.

Quantitative Disclosures:

b)

Figures in Million BDT

	Solo
The capital requirements for operational risk	315.00

### Calculation of Capital Charge for Operational Risk (Consolidated) Basic Indicator Approach

Figures in Million BDT

Year	Gross Income (GI)	Average GI	15% of Average GI
June 30, 2013		207.54	31.14
September 30, 2013			
December, 2013	207.54		
Total GI	207.54		



## KEY FINANCIAL INDICATORS

Particulars	BDT
Operating Income	209,967,445
Operating Profit	113,104,431
Profit after tax and provision	56,910,293
Earnings Per Share (EPS)	0.13
NAV Per Share	10.13
Total Capital at the time of Financial Statement authorized to issue	4,579,116,831
Return on Investment (ROI)	0.73%
Return on Assets (ROA)	0.72%
<b>Balance Sheet Focus—The Bank</b>	
Authorized Capital	20,000,000,000
Paid-up Capital	4,520,000,000
Total Assets	7,874,922,250
Shareholder's Equity	4,577,499,150
Loans and Advances	34,712,440
Total Deposits	1,679,697,236
Loan Deposit Ratio	2.07
NPL Ratio	-
Cost of fund	12.25%
<b>Capital Adequacy Ratio—The Bank</b>	
Tier—I Capital	150.29%
Total Capital Adequacy Ratio	150.36%

As on 31 December 2013





# FINANCIAL STATEMENTS





Mr. Humayun Kabir  
Chairman



Mr. Shaikh Salahuddin  
Vice-Chairman



Barrister Sheikh Fazle Noor Taposh, MP  
Director & Chairman  
Executive Committee of the Board



Mr. Md. Mizanur Rahman  
Managing Director & CEO

# Independent Auditors' Report to the Shareholders of Modhumoti Bank Limited

We have audited the accompanying financial statements of Modhumoti Bank Limited (the "Bank") which comprise the balance sheet as at 31 December 2013, profit and loss account, statement of changes in equity and cash flow statement for the period 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 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 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 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 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 financial statements of the Bank. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2013, and of its financial performance and cash flows for the period 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 financial statements of the Bank and considering the reports of the Management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the Financial Statements and Internal Control:



- (a) internal audit, internal control and risk management arrangements of the Bank as disclosed in 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) in our opinion, proper books of account as required by law have been kept by 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;
- (iv) the balance sheet and 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;
- (v) the expenditures incurred was for the purpose of the Bank's business;
- (vi) the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as related guidance issued by Bangladesh Bank;
- (vii) adequate provisions have been made for advance and other assets which are in our opinion, doubtful of recovery;
- (viii) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (ix) the information and explanations required by us have been received and found satisfactory;
- (x) we have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 1,275 person hours during the audit; and
- (xi) 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, 10 April 2014



## Balance Sheet

As at December 31, 2013


Particulars	Notes	Amount in BDT 31-12-2013
<b>PROPERTY AND ASSETS</b>		
<b>Cash</b>	4	
Cash in hand (including foreign currencies)		10,666,245
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		107,431,889
		<b>118,098,134</b>
<b>Balance with other banks and financial institutions</b>	5	
In Bangladesh		7,226,741,158
Outside Bangladesh		-
		<b>7,226,741,158</b>
<b>Money at call and on short notice</b>		-
<b>Investments</b>	6	
Government		129,129,477
Others		-
		<b>129,129,477</b>
<b>Loans and advances</b>	7	
Loans, cash credit, overdrafts etc.		34,712,440
Bills purchased and discounted		-
		<b>34,712,440</b>
<b>Fixed assets including premises, furniture and fixtures</b>	8	<b>88,066,062</b>
<b>Other assets</b>	9	<b>278,174,980</b>
<b>Non - banking assets</b>		-
<b>Total properties and assets</b>		<b>7,874,922,250</b>
<b>LIABILITIES AND CAPITAL</b>		
<b>Liabilities</b>		
<b>Borrowings from other banks, financial institutions and its agents</b>	10	<b>1,560,000,000</b>
<b>Deposits and other accounts</b>	11	
Current accounts and other accounts		66,495,816
Bills payable		68,655
Savings bank deposits		20,989,349
Fixed deposits		1,592,143,417
Other deposits		-
		<b>1,679,697,236</b>
<b>Other liabilities</b>	12	<b>57,725,864</b>
<b>Total liabilities</b>		<b>3,297,423,100</b>
<b>Capital/shareholders' equity</b>		
Paid up capital	13.2	4,520,000,000
Share premium		-
Statutory reserve	14	22,238,465
Revaluation reserve	15	588,857
Other reserves		-
Retained earnings	16	34,671,828
<b>Total shareholders' equity</b>		<b>4,577,499,150</b>
<b>Total liabilities and shareholders' equity</b>		<b>7,874,922,250</b>

## Balance Sheet


As at December 31, 2013

Particulars	Notes	Amount in BDT 31-12-2013
<b>Off-Balance Sheet Items</b>		
	30	
<b>Contingent liabilities</b>		
Acceptances and endorsements		-
Letters of guarantees		150,000,000
Irrevocable letter of credits		6,211,000
Bills for collection		-
Value of Bangladesh Sanchaypatra		-
Other contingent liabilities		-
<b>Total contingent liabilities</b>		<b>156,211,000</b>
<b>Other commitments</b>		
Documentary credits and short term trade-related transactions		-
Forward assets purchased and forward deposits placed		-
Undrawn note issuance and revolving underwriting facilities		-
Undrawn formal standby facilities, credit lines and other commitments		-
<b>Total other commitments</b>		<b>-</b>
<b>Total off-balance sheet items including contingent liabilities</b>		<b>156,211,000</b>

These Financial Statements should be read in conjunction with the annexed notes (1 to 36)



**Managing Director & CEO**



**Director**



**Vice Chairman**



**Chairman**

Auditors' Report to the Shareholders see annexed report on even date

**Dhaka, April 10, 2014**

*Hoda Vasi Chowdhury*  
**Hoda Vasi Chowdhury & Co.**  
Chartered Accountants

## Profit and Loss Account

For the year ended December 31, 2013

Particulars	Notes	Amount in BDT 31-12-2013
Interest income	19	256,169,118
Interest paid on deposits and borrowings etc.	20	(48,626,193)
<b>Net interest income</b>		<b>207,542,925</b>
Investment income	21	-
Commission, exchange and brokerage	22	2,419,256
Other operating income	23	5,264
		<b>2,424,520</b>
<b>Total operating income (A)</b>		<b>209,967,445</b>
Salaries and allowances	24	25,768,259
Rent, taxes, insurance, electricity etc.	25	28,363,571
Legal expenses		60,000
Postage, stamp, telecommunication etc.	26	818,259
Stationery, printing, advertisements etc.	27	9,218,567
Managing Director's salary and fees	28	4,954,500
Directors' fees and expenses	29	265,000
Auditors' fees		250,000
Depreciation on and repairs to Bank's assets	30	3,365,602
Other expenses	31	23,799,256
		<b>96,863,014</b>
<b>Total operating expenses (B)</b>		<b>96,863,014</b>
<b>Profit before provision (C=A-B)</b>		<b>113,104,431</b>
Provision for loans and advances	21.1	
General provision		350,000
Specific provision		-
		<b>350,000</b>
Provision for off-balance sheet items	21.2	1,562,110
Provision for diminution in value of investments		-
Other provisions		-
		<b>1,912,110</b>
<b>Total provision (D)</b>		<b>1,912,110</b>
<b>Total profit before tax (C-D)</b>		<b>111,192,321</b>
Provision for taxation	32	
Current		46,223,473
Deferred		8,058,555
		<b>54,282,028</b>
<b>Net profit after tax</b>		<b>56,910,293</b>
<b>Appropriations</b>		
Statutory reserve	14	22,238,465
Other reserve		-
		<b>22,238,465</b>
<b>Retained earnings during the year</b>	<b>16</b>	<b>34,671,828</b>
<b>Earnings per share (par value Taka 10)</b>	<b>35</b>	<b>0.13</b>

These Financial Statements should be read in conjunction with the annexed notes (1 to 36)

  
Managing Director & CEO

  
Director

  
Vice Chairman

  
Chairman

Auditors' Report to the Shareholders see annexed report on even date

  
Hoda Vasi Chowdhury & Co.  
Chartered Accountants

Dhaka, April 10, 2014



## Statement of Changes in Equity

For the year ended 31 December 2013

Particulars	Amount in BDT				
	Paid up capital	Statutory reserve	Revaluation reserve	Retained earnings	Total
<b>Balance as at 1 January 2013</b>	-	-	-	-	-
Statutory reserve	-	22,238,465	-	(22,238,465)	-
Revaluation reserve	-	-	588,857	-	588,857
Issue of ordinary share	4,520,000,000	-	-	-	4,520,000,000
Cash dividend	-	-	-	-	-
Net profit for the year	-	-	-	56,910,293	56,910,293
<b>Balance as at 31 December 2013</b>	<b>4,520,000,000</b>	<b>22,238,465</b>	<b>588,857</b>	<b>34,671,828</b>	<b>4,577,499,150</b>

These Financial Statements should be read in conjunction with the annexed notes (1 to 36)



Managing Director & CEO



Director



Vice Chairman



Chairman

## Cash Flow Statement

For the year ended December 31, 2013

Particulars	Notes	Amount in BDT 31-12-2013
<b>A. Cash Flow from Operating Activities :</b>		
Interest receipts in cash		89,385,562
Interest payment		(21,564,384)
Dividend Income		-
Fees and commission receipts in cash		2,419,256
Recoveries on Loans previously written-off		-
Cash payments to employees		(30,722,759)
Cash payments to suppliers		(9,221,867)
Income taxes paid		(8,878,462)
Receipts from other operating activities	33	5,264
Payments for other operating activities	34	(146,619,918)
<b>Operating profit before changes in operating assets and liabilities (i)</b>		<b>(125,197,308)</b>
<b>Increase / (Decrease) in operating Assets and Liabilities</b>		
Sale of trading securities		-
Purchase of trading securities		-
Loans & advances to customers		(34,712,440)
Other Assets		(19,713,924)
Deposits from other banks		1,560,000,000
Deposits from customers		1,652,635,428
Other Liabilities		10,160,188
<b>Cash received from operating assets and liabilities (ii)</b>		<b>3,168,369,252</b>
<b>Net cash inflow from operating activities (A=i+ii)</b>		<b>3,043,171,944</b>
<b>B. Cash Flow from Investing Activities :</b>		
Purchase of fixed assets		(89,792,032)
Sale of fixed assets		-
<b>Net cash inflow/(outflow) from investing activities (B)</b>		<b>(89,792,032)</b>
<b>C. Cash flows from financing activities :</b>		
Receipts from issue of ordinary shares		4,520,000,000
Payment of Dividend		-
<b>Net cash inflow/(outflow) from Financing Activities (C)</b>		<b>4,520,000,000</b>
<b>D. Net increase / decrease in cash &amp; cash equivalent (A+B+C)</b>		<b>7,473,379,912</b>
<b>E. Cash and cash equivalents at beginning period</b>		<b>-</b>
<b>F. Cash and cash equivalents at end of period (D+E)</b>		<b>7,473,379,912</b>
<b>Cash and cash equivalents at end of the year represents</b>		
Cash in hand (including foreign currencies)		10,666,245
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		107,431,889
Balance with other banks and financial institutions		7,226,741,158
Money at call and on short notice		-
Treasury bills		128,540,620
Prize bond		-
		<b>7,473,379,912</b>

These Financial Statements should be read in conjunction with the annexed notes (1 to 36)

  
Managing Director & CEO

  
Director

  
Vice Chairman

  
Chairman

## Liquidity Statement

(Analysis of maturity of assets and liabilities)  
as at 31 December 2013

Particulars	Up to 1 month		1-3 months		3-12 months		1-5 years		Above 5 years		Total	
	Taka		Taka		Taka		Taka		Taka		Taka	
<b>Assets:</b>												
Cash in hand	10,666,245		38,822,671		-		-		68,609,218		118,098,134	
Balance with other banks and financial institutions	1,100,287,594		1,800,000,000		4,326,453,564		-		-		7,226,741,158	
Money at call and on short notice	-		-		-		-		-		-	
Investments	-		129,129,477		-		-		-		129,129,477	
Loans and advances	-		-		23,062,429		-		11,650,011		34,712,440	
Fixed assets including premises, furniture and fixtures	-		-		-		-		88,066,062		88,066,062	
Other assets	101,448,840		85,051,940		-		-		91,674,200		278,174,980	
Non banking assets	-		-		-		-		-		-	
<b>Total assets (A)</b>	<b>1,212,402,679</b>		<b>2,053,004,088</b>		<b>4,349,515,993</b>		<b>-</b>		<b>259,999,491</b>		<b>7,874,922,251</b>	
<b>Liabilities:</b>												
Borrowings from other banks, financial institutions and its agents	1,460,000,000		100,000,000		-		-		-		1,560,000,000	
Deposits	65,334,171		983,707,340		608,827,881		16,890,652		4,937,193		1,679,697,237	
Provision and other liabilities	817,778		9,592,410		37,345,011		-		9,970,665		57,725,864	
<b>Total liabilities (B)</b>	<b>1,526,151,949</b>		<b>1,093,299,750</b>		<b>646,172,892</b>		<b>16,890,652</b>		<b>14,907,858</b>		<b>3,297,423,101</b>	
<b>Net liquidity gap (A - B)</b>	<b>(313,749,270)</b>		<b>959,704,338</b>		<b>3,703,343,101</b>		<b>(16,890,652)</b>		<b>245,091,633</b>		<b>4,577,499,150</b>	

These Financial Statements should be read in conjunction with the annexed notes (1 to 36)



**Managing Director & CEO**



**Director**



**Vice Chairman**



**Chairman**

## Notes to the Financial Statements as at and for the year ended 31 December 2013

### 1. Reporting entity

#### 1.1 Status of the Bank

Modhumoti Bank Limited (the "Bank") is a scheduled commercial bank in the private sector established under the Bank Companies Act 1991 and incorporated in Bangladesh as a public limited company to carry out banking business in Bangladesh. The registered office of the Bank is located at Banglar Bani Bhaban, 81, Motijheel C/A, Dhaka-1000. The financial statements of the Bank as at and for the year ended 31 December 2013 comprise the Bank.

#### 1.2 Principal activities of the Bank

The Bank has 2 branches, with no overseas branch as on 31 December 2013. The Bank offers services for all commercial banking needs of the customers, which includes deposit banking, loans and advances, export import financing, inland and international remittance facility, etc.

### 2. Basis of preparation

#### 2.1 Statement of compliance

The financial statements of the Bank as at and for the year ended 31 December 2013 have been prepared under the historical cost convention except investments and in accordance with the "First Schedule" (section 38) of the Bank Companies Act 1991, as amended by Bangladesh Bank (the Central Bank of Bangladesh) through BRPD Circular No. 14 dated 25 June 2003, other Bangladesh Bank Circulars, Bangladesh Financial Reporting Standards (BFRSs), the Companies Act 1994, the Securities and Exchange Rules 1987, Dhaka and Chittagong Stock Exchange's listing regulations. In case any requirement of provisions and circulars issued by Bangladesh Bank differs with those of other regulatory authorities, the provisions and circulars issued by Bangladesh Bank shall prevail.

Bank have departed from those contradictory requirements of BFRSs in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below:

##### i) Investment in shares and Securities

**BFRS:** As per requirements of BAS 39 investment in shares and securities generally falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value at the year-end is taken to profit and loss account or revaluation reserve respectively.

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

##### ii) Revaluation gain/loss on Government securities

**BFRS:** As per requirement of BAS 39 where T-bills and T-bonds will fall under the category of "held for trading", any change in the fair value of held for trading assets is recognized through profit and loss account.

T-bills designated as held to maturity are measured at amortized cost method and interest income is recognized through the profit & loss account.

**Bangladesh Bank:** According to DOS circular no. 05 dated 26 May 2008 and subsequent clarification in DOS circular no. 05 dated 28 January 2009 loss on revaluation of Government securities (T-bill/T-bond) which are categorized as held for trading will be charged through profit and loss account, but any gain on such revaluation should be recorded under Revaluation Reserve Account. However at the year-end if there is any revaluation gain for any particular held for trading T-bills/T-bonds, such gain can be used to the extent of any 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 is recognized through reserve.

##### iii) Provision on loans and advances

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

**Bangladesh Bank:** As per BRPD circular no. 5 dated 5 June 2006 a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained regardless of objective evidence of impairment. Also provision for sub-standard loan, doubtful loans and bad losses has to be provided at 20%, 50% and 100% respectively for loans and advances depending on the duration of overdue. Again as per BRPD circular no. 10 dated 18 September 2007, a general provision at 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by 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 a Single Comprehensive Income (OCI) Statement.

**Bangladesh Bank:** Bangladesh Bank has issued templates for financial statements which will strictly be followed by all banks. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income or the elements of Other Comprehensive Income allowed to include in a Single Comprehensive Income (OCI) Statement. As such the company does not prepare the other comprehensive income statement. However elements of OCI, if any, are shown in the statements of changes in equity.

v) **Financial instruments – presentation and disclosure**

In several cases Bangladesh Bank guidelines categorize, 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**

**BFRS:** When an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo or stock lending), the arrangement is accounted for as 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 BRPD guidelines, 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.

vii) **Financial guarantees**

**BFRS:** As per BAS 39, financial guarantees are contracts that require an entity to make specified payments to reimburse to the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. 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 when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

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

viii) **Cash and cash equivalent**

**BFRS:** Cash and cash equivalent items should be reported as cash item as per BAS 7.

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

ix) **Non-banking asset**

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

**Bangladesh Bank:** As per BRPD 14, there must exist a face item named Non-banking asset.

x) **Cash flow statement**

**BFRS:** 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, cash flow is the mixture of direct and indirect method.

xi) **Balance with Bangladesh Bank: (CRR)**

**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.

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

xii) **Presentation of intangible asset**

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

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

xiii) **Off-balance sheet items**

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

**Bangladesh Bank:** As per BRPD 14, off balance sheet items (e.g. L/C, L/G, etc.) must be disclosed separately in face of balance sheet.

xiv) **Disclosure of appropriation of profit**

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

**Bangladesh Bank:** As per BRPD 14, an appropriation of profit should be disclosed in the face of profit and loss account.

xv) **Loans and advance net of provision**

**BFRS:** Loans and advances should be presented net of provisions.

**Bangladesh Bank:** As per BRPD 14, provision on loans and advances are presented separately as liability and cannot be netted off against loans and advances.

(Also refer to note 3.10 Compliance of BFRSs)

2.2 **Basis of measurement**

The financial statements of the Bank have been prepared on the historical cost basis except for the following:

- Government Treasury Bills and Bonds designated as 'Held for Trading (HFT)' at present value using marking to market concept with gain crediting revaluation reserve.
- Government Treasury Bills and Bonds designated as 'Held to Maturity (HTM)' at present value using amortisation concept
- Investment in shares of listed companies

2.3 **Functional and presentation currency**

These financial statements are presented in Bangladesh Taka (Taka / Tk) which is the Bank's functional currency. Except as otherwise indicated, financial information presented in Taka has been rounded to the nearest integer.

2.4 **Use of estimates and judgements**

The preparation of these financial statements in conformity with Bangladesh Bank Circulars and BFRSs requires management to make judgements, 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.

2.5 **Reporting period**

These financial statements cover from 19th September to 31 December 2013.

2.6 **Cash flow Statement**

Cash flow statement has been prepared in accordance with the BRPD Circular No. 14 dated 25 June 2003 issued by the Banking Regulation & Policy Department of Bangladesh Bank.

2.7 **Statement of Changes in Equity**

The Statement of changes in equity reflects information about the increase or decrease in net assets or wealth.

2.8 **Liquidity Statements**

The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term which has been given in the Statement.

3. **Significant accounting policies**

The accounting policy set out below have been applied to present these financial statements of the Bank.

3.1 **Foreign currency**

3.1.1 **Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on translation of equity investments in respect of which an election has been made to present subsequent changes in fair value in equity.

## 3.2 Assets and basis of their valuation

### 3.2.1 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Bangladesh Bank and its agent bank, balance with other banks and financial institutions, money at call and on short notice, investments in treasury bills and prize bond.

### 3.2.2 Investments

All investment securities are initially recognised at cost, including acquisition charges associated with the investment. Premiums are amortised and discounts are accredited.

#### Held to Maturity

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

#### Held for Trading

Investment classified in this category are acquired principally for the purpose of selling or repurchasing in short trading or if designated as such by the management.

#### Revaluation

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

Value of investments has been shown as under:

Government Treasury Bills and Bonds (HFT)	At present value (using marking to market concept)
Government Treasury Bills and Bonds (HTM)	At present value (using amortisation concept)
Prize Bond	At cost

### 3.2.3 Loans, Advances/Investments and provisions

- Loans and advances of branches are stated in the Balance Sheet on gross value.
- Provision for loans and advances is made on the basis of periodical review by the management and of instructions contained in Bangladesh Bank BRPD Circular No. 14 of 23 September 2012 and BRPD Circular No. 19 of 27 December 2012. The rates of provision for different classifications are given below:

Particulars	Rate
<b>General provision on:</b>	
All unclassified loans and advances/investments except followings	1.00%
Small and medium enterprise financing	0.25%
Consumer financing	5.00%
Housing finance and loans for professionals to set up business under consumer financing scheme	2.00%
Loan to BHs/MBs/SDs against shares	2.00%
Special mention account (SMA)	5.00%
<b>Specific provision on:</b>	
Substandard loans and advances/investments	20.00%
Doubtful loans and advances/investments	50.00%
Bad/loss loans and advances/investments	100.00%
<b>Provisions for Short term Agricultural and Micro-Credits</b>	
"All credits except 'Bad/Loss' (i.e. Doubtful, Substandard, irregular and regular credit) Bad/Loss"	5.00%
	<b>100.00%</b>

### 3.2.4 Fixed assets and depreciation

#### Recognition and measurement

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

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

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

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

#### **Subsequent costs**

The cost of replacing a component of an item of fixed assets is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

#### **Depreciation**

Depreciation is recognised in profit or loss on straight line basis, over the estimated useful lives of each part of an item of fixed assets since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. In case of acquisition of fixed assets, depreciation is charged from the month of acquisition, whereas depreciation on disposed off fixed assets is charged up to the month prior to the disposal. Asset category-wise depreciation rates for the current and comparative years are as follows:

Category of assets	Rate of depreciation
Land	Nil
Building	2.50%
Furniture and fixtures	10.00%
Office equipments	20.00%
Professional and Reference books	30.00%
Electrical equipments	20.00%
Computer equipments	20.00%
Motor vehicles	20.00%

“Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted, if appropriate.”

### **3.3 Liabilities and basis of their valuation**

#### **3.3.1 Borrowings from other banks, financial institutions and agents**

Borrowings from other banks, financial institutions and agents includes refinance from Bangladesh Bank against agro-based credit, SME Loan etc., interest-bearing borrowings against securities from Bangladesh Bank and call borrowing from other banks. These items are brought to financial statements at the gross value of the outstanding balance.

#### **3.3.2 Deposits and other accounts**

Deposits and other accounts include non interest-bearing current deposit redeemable at call, interest bearing on demand and short-term deposits, savings deposit and fixed deposit. These items are brought to financial statements at the gross value of the outstanding balance. Details are shown in Notes 11.

#### **3.3.3 Other liabilities**

Other liabilities comprise items such as provision for loans and advances/investments, provision for taxation, interest payable, interest suspense, accrued expenses, obligation under finance lease etc. Other liabilities are recognised in the balance sheet according to the guidelines of Bangladesh Bank, Income Tax Ordinance 1984 and internal policy of the Bank. Details are shown in Notes 12.

### **3.4 Capital/Shareholders' equity**

#### **3.4.1 Authorised capital**

Authorised capital is the maximum amount of share capital that the Bank is authorised by its Memorandum and Articles of Association.

#### **3.4.2 Paid up capital**

Paid up capital represents total amount of shareholder capital that has been paid in full by the ordinary shareholders.

#### **3.4.3 Statutory reserve**

Statutory reserve has been maintained @ 20% of profit before tax in accordance with provisions of section 24 of the Bank Companies Act 1991 until such reserve equal to its paid up capital together with the share premium.

#### **3.4.4 Revaluation reserve of government securities**

Revaluation reserve arises from the revaluation of land and buildings as well as the revaluation of Treasury bills and bonds (HFT & HTM) in accordance with the DOS circular no. 5 dated 26 May 2008 and DOS(SR) 1153/120/2010 dated 8 December 2010. The tax effects on revaluation gain are measured and recognised in the financial statements as per BAS 12: Income Taxes.



### 3.5 **Contingent liabilities**

A contingent liability is -

A possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or  
A present obligation that arises from past events but is not recognised because:

it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

\* the amount of the obligation cannot be measured with sufficient reliability.

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

Contingent assets are not recognised in the financial statements as this may result in the recognition of income which may never be realised.

### 3.6 **Revenue recognition**

#### 3.6.1 **Interest income**

"Interest on loans and advances is calculated on daily product basis and accrued at the end of each month, but charged to customers' accounts on quarterly basis. Interest accrued on loans and advances fall under Sub Standards (SS) and Doubtful (DF) category are credited to interest suspense account instead of income account. Interest is not charged on bad and loss loans as per guideline of Bangladesh Bank. Such interest is kept in separate memorandum account. Interest on classified loans and advances is accounted for on a cash receipt basis.

#### 3.6.2 **Investment income**

Income on investments is recognised on accrual basis. Investment income includes discount on treasury bills, interest on treasury bonds and fixed deposit with other banks. Capital gain on investments in shares is also included in investment income. Capital gain is recognised when it is realised.

#### 3.6.3 **Fees and commission income**

The Bank earns fees and commissions from diverse range of services provided to its customers. Fees and commission income is recognised on a realisation basis. Commission charged to customers on letters of credit and letters of guarantee are credited to income at the time of effecting the transactions.

#### 3.7 **Interest paid on borrowing and other deposits**

Interest paid and other expenses are recognised on accrual basis.

### 3.8 **Employee benefits**

#### 3.8.1 **Provident Fund**

Provident fund benefits are given to the staff 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 to the fund. Contributions made by the Bank are charged as expense and the bank bears no further liability. Interest earned from the investments is credited to the members' account.

#### 3.8.2 **Gratuity Fund**

Gratuity fund benefits are given to the staff of the Bank. The gratuity is calculated on the basis of last basic pay and is payable at the rate of two month's basic pay for every completed year of service. The amount so calculated are transferred to the fund and charged to expenses of the Bank.

### 3.9 **Provision for Off-Balance Sheet Exposures**

In compliance with Bangladesh Bank guidelines Off-Balance Sheet items are disclosed under contingent liabilities. As per BRPD Circular No.10 dated 18 September 2007, the Bank is required to maintain provision @ 1% against Off-Balance Sheet Exposures. Details are shown in note 12.2.

### 3.10 **Tax expense**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity.

#### 3.10.1 **Current tax**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

#### 3.10.2 **Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- temporary differences arising on the initial recognition of goodwill.

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 reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax relating to unrealised surplus on revaluation of held to maturity (HTM) securities and land and buildings are recognised directly in revaluation reserve as a part of equity and is subsequently recognised in profit and loss account on maturity of the security and disposal of land and buildings.

### 3.11 **Reconciliation of inter-bank/inter-branch account**

Books of accounts with regard to inter-bank (in Bangladesh and outside Bangladesh) are reconciled regularly and there are no material differences which may affect the financial statements significantly.

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

### 3.12 **Risk management**

The risk of Modhumoti Bank Limited is defined as the possibility of losses, financial or otherwise. The risk management of the Bank covers the following seven core risk areas. The prime objective of the risk management is that the Bank evaluates and takes well calculative business risks and thereby safeguards the Bank's capital, its financial resources and profitability from various business risks through its own measures and through implementing Bangladesh Bank's guidelines and some of the best practices as under:

The risk management of the Bank covers following six core risk areas:

- i) Credit Risk
- i) Foreign Exchange Risk
- iii) Asset Liability Management
- iv) Money Laundering Risk
- v) Internal Control & Compliance
- vi) Information and communication technology

#### 3.12.1 **Credit risk**

It arises mainly from lending, trade finance, leasing and treasury businesses. This can be described as potential loss arising from the failure of a counter party to perform as per contractual agreement with the Bank. The failure may result from unwillingness of the counter party or decline in his / her financial condition. Therefore, the Bank's credit risk management activities have been designed to address all these issues.

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

#### 3.12.2 **Foreign Exchange Risk**

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

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

### 3.12.3 **Asset Liability Management**

Banks are exposed to the several risks such as Liquidity Risk, Interest Rate Risk, Foreign Exchange Risk, Credit Risk and Operational Risk etc. Monitoring and controlling of these risks is vital to the survival of a financial institution. Asset-Liability Management is a tool to oversee whether different balance sheet risks are properly identified, appropriate policies and procedures are well established to control and limit these risks.

To address all the risk elements of the Balance Sheet, monthly ALCO meetings are conducted regularly, ALM desk of the Bank analysis the Balance Sheet risk and prepares the monthly ALCO papers as per the guidelines of the Bangladesh Bank.

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

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

### 3.12.4 **Money Laundering Risk**

Money laundering risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering. For mitigating the risks, the Bank has a designated Chief Anti Money Laundering Compliance Officer (CAMLCO) at Head Office and Compliance Officers at Branches, who independently review the transactions of the accounts to verify suspicious transactions. Manuals for prevention of money laundering have been established and transaction profile has been introduced. Training is continuously given to all the category of Officers and Executives for developing awareness and skill for identifying suspicious activities / transactions.

### 3.12.5 **Internal Control & Compliance Risk**

Internal control is fundamental to the successful operation and day-to-day running of a business and it assists the bank in achieving its business objectives. It encompasses all controls incorporated into the strategic, governance and management processes, covering the bank's entire range of activities and operations, and not just those directly related to financial operations and reporting. Its scope is not confined to those aspects of a business that could broadly be defined as compliance matters, but extends also to the performance aspects of a business.

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

### 3.12.6 **Information and communication technology**

Major ICT risks have been categorized into three- a) Denial of service, b) Un-authorized actions, and c) Ignorance/ complacency. However, the top ICT risks are: -

- i) Unacceptable use by or through staff, contractors, partners and former employees or unauthorid / unlicensed program run on system & external attack by hacker.
- ii) Inadequate plan for disaster recovery, poor business continuity management resulted inability to recover system following a disaster or failure in the expected timescale.
- iii) Improper management of systems lifecycle, poor requirements definition & system design and inadequate testing result in degraded performance of software.
- iv) Breaches in established policies, terms of SLA: Associated risks or log of changes in equipment, applications or modules are not properly addressed. So, data integrity and continuity become vulnerable resulting in loss or corruption of data after retrieval.
- v) Failure of systems (due to power, equipments, communication links, viruses or natural disaster or socio-geographical context- climate change, terrorism etc) may broaden from individuals to whole organization.
- vi) Non-allocation of job tasks & turnover of ICT employee, failure of committed service of third party vendors or absence of SLA etc concluded in non-performance of system- partly or whole.
- vii) Finally, complacency or lack of awareness of understanding risks due technological advancement, unforeseen technology problems or unavailability of software and others (not been classified here).

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

- i) Risk Assumption: To accept the potential risk and continue operating the IT system or to implement controls to lower the risk to an acceptable level.
- ii) Risk Avoidance: To avoid the risk by eliminating the risk cause and/or consequence (e.g., forgo certain functions of the system or shut down the system when risks are identified).
- iii) Risk Limitation: To limit the risk by implementing controls that minimize the adverse impact of a threat's exercising a vulnerability (e.g., use of supporting, preventive, detective controls).



- iv) Risk Planning: To manage risk by developing a risk mitigation plan that prioritizes, implements, and maintains controls.
- v) Research and Acknowledgment: To lower the risk of loss by acknowledging the vulnerability or flaw and researching controls to correct the vulnerability
- vi) Risk Transference: To transfer the risk by using other options to compensate for the loss, such as purchasing insurance.
- vii) All categorized ICT related risks would be reviewed by Risk Management personnel and should be acted accordingly

### 3.13 Compliance of Bangladesh Financial Reporting Standard (BFRS)

Name of the standards	Ref.	Status
First-time Adoption of Bangladesh Financial Reporting Standards	BFRS-1	Applied
Share-based Payment	BFRS-2	Not applicable
Business Combinations	BFRS-3	Not applicable
Insurance Contracts	BFRS-4	Not applicable
Non-current Assets Held for Sale and Discontinued Operations	BFRS-5	Not applicable
Exploration for and Evaluation of Mineral Resources	BFRS-6	Not applicable
Financial Instruments: Disclosures	BFRS-7	Applied with some departure
Operating Segments	BFRS-8	Not applicable
Consolidated Financial Statements	BFRS-10	Not applicable
Joint Arrangements	BFRS-11	Not applicable
Disclosure of Interests in other Entities	BFRS-12	Not applicable
Fair Value Maserment	BFRS-13	Applied
Presentation of Financial Statements	BAS-1	Applied
Inventories	BAS-2	Not Applicable
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	Not Applicable
Revenue	BAS-18	Applied
Employee Benefits	BAS-19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	BAS-20	Not Applicable
The Effects of Changes in Foreign Exchange Rates	BAS-21	Applied
Borrowing Costs	BAS-23	Applied
Related Party Disclosures	BAS-24	Applied
Accounting and Reporting by Retirement Benefit Plans	BAS-26	Not Applicable
Consolidated and Separate Financial Statements	BAS-27	Not Applicable
Investments in Associates	BAS-28	Not Applicable
Interests in Joint Ventures	BAS-31	Not Applicable
Financial Instruments: Presentation	BAS-32	Applied with some departure
Earnings per Share	BAS-33	Applied
Interim Financial Reporting	BAS-34	Not Applicable
Impairment of Assets	BAS-36	Not Applicable
"Provisions, Contingent Liabilities and Contingent Assets"	BAS-37	Applied
Intangible Assets	BAS-38	Applied
Financial Instruments: Recognition and Measurement	BAS-39	Applied with some departure
Investment property	BAS-40	Not Applicable
Agriculture	BAS-41	Not Applicable



**3.14 Correspondence items**

Correspondence items are maintained to have control over all items of importance and for such transactions where the Bank has only a business responsibility and no legal commitment. Stock of travellers cheques, savings certificates, wage earners bond and others fall under the correspondence items.

**3.15 Offsetting**

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under BFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

**3.16 Operating segments**

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

**3.17 Approval of financial statements**

The Bank in its 4th Board Meeting held on 10th April, 2014 approved the Financial Statements for the year ended 31 December 2013.

**3.18 General**

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.

		<b>Amount in BDT</b>
		<b>31-12-2013</b>
<b>4. Cash</b>		
	In hand:	
	Local currency	10,666,245
	Foreign currencies	-
		<b>10,666,245</b>
	Balance with Bangladesh Bank:	
	Local currency	68,609,218
	Foreign currencies	38,822,671
		<b>107,431,889</b>
	Balance with Sonali Bank Limited. (as agent of Bangladesh Bank):	
	Local currency	-
		<b>107,431,889</b>
		<b>118,098,134</b>
<b>4.1</b>	Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR) have been calculated and maintained in accordance with section 33 of the Bank Companies Act 1991, MPD Circular nos. 4 and 5 dated 1 December 2010. The statutory Cash Reserve Requirement on the Bank's time and demand liabilities at the rate of 6% has been calculated and maintained with Bangladesh Bank in current account and 19% Statutory Liquidity Requirement, 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 reserves maintained by the Bank, are shown below:	
<b>4.1.1</b>	<b>a) Cash Reserve Requirement (CRR)</b>	
	6% of average Demand and Time Liabilities	
	Required reserve	49,949,280
	Actual reserve held (Average daily on bi-weekly basis)	68,609,218
	<b>Surplus</b>	<b>18,659,938</b>
<b>4.1.2</b>	<b>a) Statutory Liquidity Requirement (SLR)</b>	
	19% of required Average Demand and Time Liabilities:	
	Required reserve	158,172,720
	Actual reserve held	208,404,940
	<b>Surplus</b>	<b>50,232,220</b>
	<b>Held for Statutory Liquidity Requirement</b>	
	Cash in hand	10,666,245
	Balance with Bangladesh Bank as per statement	68,609,218
	Balance with agent bank (Sonali Bank Ltd.) as per statement	-
	Government treasury bills	129,129,477
	Bangladesh Bank Bills	-
	Government treasury bonds	-
		<b>208,404,940</b>
<b>5</b>	<b>Balance with other banks and financial institutions</b>	
	In Bangladesh (Note 5.1)	7,226,741,158
	Outside Bangladesh	-
		<b>7,226,741,158</b>
	Also refer to note for maturity wise grouping	
<b>5.1</b>	<b>In Bangladesh</b>	
	<b>Current account with:</b>	
	Prime Bank Ltd.	8,227,963
	<b>Short term deposits account with:</b>	<b>8,227,963</b>
	Prime Bank	1,092,059,630
	The City Bank Ltd.	3,076,453,564
		<b>4,168,513,194</b>
	<b>Fixed deposits with other banks:</b>	
	National Bank of Pakistan	250,000,000
		<b>250,000,000</b>
	<b>Fixed deposits with financial institutions:</b>	
	Prime Finance & Investment Limited	250,000,000
	International Leasing and Financial Services Ltd.	300,000,000
	Bay Leasing and Investment Limited	150,000,000
	Industrial Development Leasing Company Ltd.	500,000,000
	Bangladesh Industrial Finance Company Ltd.	150,000,000
	Peoples Leasing and Financial Services Ltd.	100,000,000
	Phoenix Finance and Investment Company Ltd.	100,000,000
	Union Capital Ltd.	200,000,000
	Uttara Finance and Investment Ltd.	300,000,000
	Bangladesh Finance and Investment Co. Ltd.	300,000,000
	Fareast Finance & Investment Ltd.	100,000,000
	Premier Leasing International Ltd.	50,000,000
	MIDAS Financing Ltd.	100,000,000
	Union Capital	200,000,000
		<b>2,800,000,000</b>
		<b>7,226,741,158</b>

## 5.2 Maturity grouping of balance with other banks and financial institutions

On demand	
Not more than three months	
More than three months but not more than six months	
More than six months but not more than one year	
More than one year but less than five years	
Above five years	

Amount in BDT  
31-12-2013

8,227,963
2,892,059,630
1,250,000,000
3,076,453,564
-
-

**7,226,741,158**

## 6 Investments

Government securities	
Others:	

129,129,477
-

**129,129,477**

### 6.1 Conventional Banking

#### 6.1.1 Government Securities

91 days Treasury Bills	
182 days Treasury Bills	
364 days Treasury Bills	

129,129,477
-
-

129,129,477

Add: Reverse repo with other banks

-

129,129,477

Assured Repo with Bangladesh Bank/ Others (At Book Value)

-

**129,129,477**

Prize Bonds

-

-

#### 6.2.1 Government Securities

91 days Treasury Bills

**129,129,477**

### 6.3 Investments classified as per Bangladesh Bank Circular

Held for trading (HFT)	
Held to maturity (HTM)	
Other securities	

-
129,129,477
-

**129,129,477**

### 6.4 Maturity-wise grouping

On demand	
Not more than three months	
More than three months but not more than one year	
More than one year but not more than five years	
Above five years	

-
129,129,477
-
-
-

**129,129,477**

### 6.5 Cost and market value of investments

#### 6.5.1 Government securities

Treasury Bills	
Bangladesh Bank Bills	
Bangladesh Government Treasury Bond	
Prize Bonds	

2013

Cost price Taka	Market price Taka
128,540,620	129,129,477
-	-
-	-
-	-
<b>128,540,620</b>	<b>129,129,477</b>

		Amount in BDT 31-12-2013	
		Agreement date	Reversal date
		Minimum outstanding Taka	Minimum outstanding Taka
6.6	<b>Repo and Reverse-repo</b>		
6.6.1	<b>Repo as on 31 December 2013</b>		
	<b>Counter party name</b>		
6.6.2	<b>Transactions of Repo and Reverse-repo during the year 2013</b>		
	<b>Securities sold under repo</b>		
	i) With Bangladesh Bank	-	-
	ii) With Other Bank & Fis	-	-
	<b>Securities purchase under reverse repo</b>		
	i) With Bangladesh Bank	-	-
	ii) With Other Bank & Fis	-	-
7	<b>Loans and advances/investments</b>		
	Loans, cash credit, overdrafts etc./Investments (Note 7.1)		34,712,440
	Bills purchased and discounted (Note 8.14)		-
			<b>34,712,440</b>
7.1	<b>Loans, cash credit, overdrafts etc./Investments In Bangladesh</b>		
	Car Loan		2,909,991
	Personal Loan		1,556,218
	Home Loan		5,096,923
	Cash credit and overdrafts		23,062,429
	House building loan-staff		2,086,880
			<b>34,712,440</b>
	<b>Outside Bangladesh</b>		-
			<b>34,712,440</b>
7.2	<b>Performing loans and advances/Investments</b>		
	Gross loans and advances/investments		34,712,440
	Non-performing loans and advances/investments		-
			<b>34,712,440</b>
7.3	<b>Maturity-wise grouping</b>		
	On demand		-
	Less than three months		-
	More than three months but less than one year		23,062,429
	More than one year but less than five years		3,103,079
	More than five years		8,546,932
			<b>34,712,440</b>
7.4	<b>Concentration of loans and advances</b>		
	Advances to allied concerns of directors		23,061,590
	Advances to chief executive and other senior executives		2,086,880
	Advances to customers' group:		
	Advances to large and medium industries		-
	Advances to small and cottage industries		-
	Commercial Lending		-
	House Building Loan		5,096,923
	Consumer Credit Scheme		-
	Other Loans and Advances		4,467,046
			<b>34,712,440</b>





7.9 **Particulars of loans and advances**

	<b>Amount in BDT 31-12-2013</b>
i) Debts considered good in respect of which the bank is fully secured;	10,094,632
ii) Debts considered good for which the bank holds no other security than the debtors' personal security;	1,556,218
iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors;	23,061,589
iv) Debts adversely classified; provision not maintained	
v) Debts due by directors or officers of the bank or any of them either severally or jointly with any other persons;	6,553,088
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;	23,061,590
vii) Maximum total amount of advances, including temporary advances granted during the year to companies or made any time during the year to directors or managers or officers of the bank or any of them either severally or jointly with any other persons;	6,553,088
viii) Maximum total amount of advances, including temporary advances made any time during the year to directors or managers or officers of the bank or any of them either severally or jointly with any other persons;	23,061,590
x) Classified loans/investments for which interest has not been charged:	
(a) Increase/decrease of provision (specific)	
Amount of debts written off	-
(b) Provision against the debt classified as bad/loss at the date of balance sheet	-
(c) Amount of interest charged in suspense account	-
xi) Loans written off:	
- Current year	
Cumulative to-date	
- The amount of written off loans for which lawsuit filed	

7.10 **Particulars of required provision for loans and advances/investments**

<u>Status</u>	<b>2013</b>			<u>Required provision</u>  <u>Taka</u>
	<u>Outstanding as at 31 Dec 2013</u>	<u>Base for provision</u>	<u>% of required provision</u>	
	<u>Taka</u>	<u>Taka</u>		
<b>For loans and advances/Investments:</b>				
<b>Unclassified - General provision</b>				
All unclassified loans (other than small enterprises, housing finance, Loan to MBs, loans for professional, consumer financing and special mention account)	23,062,429	23,062,429	1%	230,624
Small and medium enterprise financing		-	0.25%	-
Loan to BHs/MBs/SDs against shares		-	2%	-
Housing and loan for professional	5,096,923	5,096,923	2%	101,938
Consumer finance		-	5%	-
Agriculture finance		-	5%	-
Special Mention Account (SMA)			5%	-
		<b>28,159,352</b>		<b>332,563</b>
<b>Classified - Specific provision:</b>				
Sub-standard			20%	-
Doubtful			50%	-
Bad/loss			100%	-
Required provision for loans and advances				<b>332,563</b>
<b>Total provision maintained</b>				<b>350,000</b>
<b>Excess provision at 31 December</b>				<b>17,437</b>

**7.11 Listing of assets pledged as security/collaterals**Nature of the secured assets

Gold & Gold Ornaments	-
Shares & Securites	-
Merchandise	-
Machinery with other Fixed Asset and Financial obligation	-
Real Estate with Financial obligation	7,183,802
Financial Obligation only (Insurance policies, Savings certificates, Bank deposit etc)	839
Miscellaneous	-
i) Crops/stock of crops hypotheca on	-
ii) Guarantee of individuals/ Ins tu ons	24,617,808
ii) Others	2,909,991
	<b>34,712,440</b>

**7.12 Bills purchased and discounted**

## Bills purchased and discounted excluding treasury bills:

In Bangladesh	-
Outside Bangladesh	-
	-

**8 Fixed assets including premises, furniture and fixtures Cost:**

Building	-
Furniture and fixture	37,466,236
Computer and Computer peripheral	15,341,211
Electrical Equipments	12,913,350
Motor vehicles	7,600,000
	<b>73,320,797</b>

## Less:

Accumulated depreciation	-
Building	312,220
Furniture and fixture	255,504
Computer and Computer peripheral	214,913
Electrical Equipments	126,667
Motor vehicles	<b>909,304</b>
	<b>72,411,493</b>

**Written down value at the end of the year****8.1 Software:**

Computer Software	12,250,000
SWIFT Software	4,221,235
	<b>16,471,235</b>

Less: Amortization during the year	816,666
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## Written down value at the end of the year

**15,654,569****Details are shown in Annexure-A**Amount in BDT  
31-12-2013

		Amount in BDT 31-12-2013
<b>9</b>	<b>Other assets</b>	<b>278,174,980</b>
<b>9.1</b>	<b>Classification of other assets</b>	
	a) Income generating other assets	-
	b) Non-income generating other assets:	
	i) Investment in shares of subsidiary companies:	
	- In Bangladesh	-
	- Outside Bangladesh	-
	ii) Stationery, stamps, printing materials, etc.	3,300
	iii) Advance rent and advertisement	91,674,200
	iv) Interest accrued on investment but not collected commission and brokerage receivable on shares and debentures, and other income receivables	-
		166,783,556
	v) Security deposits	-
	vi) Preliminary, formation and organisational expenses, renovation, development and prepaid expenses	
	vii) Branch adjustment (Note 9.2)	88,276
	viii) Suspense account	1,060,375
	ix) Silver	-
	x) Others	18,565,273
		<b>278,174,980</b>
<b>9.2</b>	<b>Branch adjustment</b>	
	General accounts debit	1,599,194,646
	General accounts credit	1,599,106,370
		<b>88,276</b>
<b>10</b>	<b>Borrowing from other banks, financial institutions and agents</b>	
	In Bangladesh (Note 10.1)	1,560,000,000
	Outside Bangladesh	-
		<b>1,560,000,000</b>
<b>10.1</b>	<b>In Bangladesh</b>	
	<b>Secured:</b>	
	Refinance against agro-based credit from Bangladesh Bank	-
	Refinance for housing sector from Bangladesh Bank	-
	Refinance against SME loan from Bangladesh Bank	-
	Refinance against RPGCL	-
	Borrowing against securities from Bangladesh Bank	-
	Call borrowing from other Banks	1,560,000,000
		1,560,000,000
	<b>Un secured</b>	-
		<b>1,560,000,000</b>



**10.2 Maturity grouping of borrowings**

	Amount in BDT 31-12-2013
Repayable on demand	1,560,000,000
Repayable within one month	-
Over one month but within six months	-
Over six months but within one year	-
Over one year	-
	<b>1,560,000,000</b>

**11 Deposits and other accounts****Current and other accounts**

Current deposits	5,634,551
Foreign currency deposits	38,572,686
Sundry deposits (Note 11.1)	22,288,580
	<b>66,495,816</b>

**Bills payable**

Payment order issued	68,655
Demand draft	-
	<b>68,655</b>

**Savings bank deposits****Fixed deposits**

Fixed deposits	1,559,987,035
Special notice deposits	4,929,640
Scheme deposits	164,932
Interest Payable on FDR/Scheme	27,061,809
	<b>1,592,143,417</b>
	<b>1,679,697,236</b>

**11.1 Sundry deposits**

Margin under letter of credit	1,107,000
Employees Provident Fund	1,496,581
Security Deposits	4,117,685
Government Tax, VAT and Excise duty	14,838,659
Others	728,655
	<b>22,288,580</b>

**11.2 Deposits from banks and others**

Inter-bank deposits	-
Other deposits	1,679,697,236
	<b>1,679,697,236</b>
Government	96,654,399
Deposit money banks	-
Other public	327,409,132
Foreign currency	38,572,686
Private	1,217,061,020
	<b>1,679,697,236</b>



**12.2 Provision for off-balance sheet exposures**

Balance as at 1 January

Add: Provision made during the year

Less: Adjustments made during the year

Balance as at 31 December

**12.3 Provision for taxation**

Current tax ( Note 12.3.1)

Deferred tax ( Note 12.3.2)

**12.3.1 Provision for current tax****Advance tax**

Balance as at 1 January

Add: Paid during the year

Less: Adjustments made during the year

Balance as at 31 December

**Provision**

Balance as at 1 January

Add: Provision made during the year

Less: Adjustments made during the year

**Balance as at 31 December****Net balance as at 31 December**

Provision for current tax of Tk. 46,223,473 has been made @ 42.5% as prescribed by Finance Act 2012 of the accounting profit made by the Bank after considering some of the add backs to income and disallowances of expenditure as per Income Tax Ordinance and Rules 1984 and in compliance of para 46 of BAS 12 "Income Tax".

**12.3.2 Provision for deferred tax**

Balance as at 1 January

Add : Provision made for deferred tax liabilities

Charged/(credited) to profit and loss account

Charged/(credited) to revaluation reserve

Adjustment made during the year for revaluation reserve

Less: Provision made for deferred tax assets

**Balance as at 31 December**Amount in BDT  
31-12-2013

-

1,562,110

1,562,110

-

**1,562,110**

37,345,011

8,058,555

**45,403,566**

-

8,878,462

8,878,462

-

**8,878,462**

-

46,223,473

46,223,473

-

**46,223,473****37,345,011**

-

8,058,555

-

8,058,555

**8,058,555**

-

8,058,555

-

**8,058,555**

**13 Share capital****13.1 Authorised:**

2,000,000,000 ordinary shares of Tk 10 each

Amount in BDT  
31-12-2013**20,000,000,000****13.2 Issued, subscribed and paid up:**

452,000,000 ordinary shares of Tk 10 each issued for cash

4,520,000,000

**4,520,000,000****13.3 Share capital at a glance from inception**

<u>Year</u>	<u>Particulars</u>	<u>Number of shares</u>	<u>Capital amount Taka</u>
2013	Opening/Sponsors Capital	452,000,000	4,520,000,000

**13.4 Name of the Directors and their shareholdings in the year 2013**

<b>Sl</b>	<b>Name of the directors</b>	<b>Status</b>	<b>No. of shares at 31st December 2013</b>
1	Mr. Humayun Kabir	Chairman	4,000,000
2	Mr. Shaikh Salahuddin	Vice- Chairman	18,000,000
3	Mr. Sheikh Fazle Noor Taposh	Director	32,000,000
4	Sharmin Apparels Ltd. Represented by Mr. Md. Ismail Hossain	Director	20,000,000
5	Sandhani Life Insurance Co. Ltd., Represented by Mr. Nemaï Kumer Saha	Director	30,000,000
6	Alhaj Anwar Hossain	Director	10,000,000
7	Mr. Salahuddin Alamgir	Director	20,000,000
8	Tanveer Oils Ltd., Represented By Mr. Mostafa Kamal	Director	20,000,000
9	Everest Power Generation Co. Ltd. Represented by Ms. Tanjima Binthe Mostafa	Director	20,000,000
10	Mr. Humayun Kabir	Director	20,000,000
11	Ms. Shahana Yasmin	Director	20,000,000
12	Ms. Sultana Jahan	Director	20,000,000
13	S. Jute Industries Ltd., Represented by Mr. Md. Abul Hossain	Director	20,000,000
14	Mr. Mohammad Ali Talukder	Director	10,000,000
15	Mr. Abdullah Al Islam Jakob	Director	12,000,000
16	Meghna Flour & Dal Mills Ltd., Represented by Mr. Yousuf Ali	Director	12,000,000
17	Mango Teleservices Ltd. Represented by Mr. A. Mannan Khan	Director	20,000,000
18	Mona Financial Consultancy & Securities Ltd., Represented by Mr. Md Mahbubur Rahman	Director	10,000,000
19	Mr. Md. Didarul Alam	Director	8,000,000.00
			<b>326,000,000</b>



**13.5 Capital Adequacy Ratio (CAR) the Bank**

The calculation of CAR has been done as per BRPD Circular no. 10 dated 10 March 2010 and the Basel-II guideline December 2010 vide BRPD Circular no. 35 dated 29 December 2010.

**Core Capital (Tier-I)**

Paid up capital	4,520,000,000
Share premium	-
Statutory reserve (Note 14)	22,238,465
General reserve	-
Retained earnings (Note 16)	34,671,828
	<b>4,576,910,293</b>

**Supplementary capital (Tier-II)**

General provision maintained against unclassified loan	350,000
General provision on off-balance sheet items	1,562,110
Asset revaluation reserve	-
Revaluation reserve of Government securities	294,428
	<b>2,206,538</b>

**Additional Supplementary capital (Tier-III)**

A) <b>Total capital</b>	<b>4,579,116,831</b>
-------------------------	----------------------

**B) Risk weighted assets (RWA)**

Credit Risk	
On-Balance Sheet	2,698,600,000
Off-Balance Sheet	29,200,000
	<b>2,727,800,000</b>
Market Risk	2,600,000
Operational Risk	315,000,000
<b>Total RWA</b>	<b>3,045,400,000</b>

C) <b>Required capital (Required Capital Tk.400.00 crore or actual whichever is higher)</b>	4,000,000,000
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D) <b>Surplus (A-C)</b>	<b>579,116,831</b>
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**Capital Adequacy Ratio:**

On core capital - against standard of minimum 5%	150.29%
On total capital - against standard of minimum 10%	150.36%

**14 Statutory reserve**

Balance as at 1 January	-
Addition during the year ( 20% of pre-tax profit)	22,238,465
Balance as at 31 December	<b>22,238,465</b>

		Amount in BDT 31-12-2013
<b>15</b>	<b>Revaluation reserve</b>	
	Revaluation reserve on HTM securities	
	Balance as at 1 January	-
	Addition during the year	588,857
		<b>588,857</b>
	Adjustment during the year	<b>588,857</b>
	Deferred tax liabilities	-
	Balance as at 31 December	<b>588,857</b>
	Revaluation reserve on HFT securities	
	Balance as at 1 January	-
	Addition during the year	-
	Adjustment during the year	-
	Balance as at 31 December	<b>588,857</b>
<b>16</b>	<b>Retained earnings</b>	
	Balance as at 1 January	-
	Currency traslation difference	-
	Retained earnings for the year	34,671,828
		<b>34,671,828</b>
	Less:	
	Issue of bonus share	-
	Cash dividend paid	-
		-
	<b>Retained earning carried forward</b>	<b>34,671,828</b>
<b>17</b>	<b>Contingent liabilities</b>	
<b>17.1</b>	<b>Acceptances and endorsements</b>	
	Acceptance under Letters of Credit -Import	-
	Acceptance under Letters of Credit -Export	-
		-
	Less: Margin	-
		-

**17.2 Letters of guarantee**

Letters of guarantee (Local)  
Letters of guarantee (Foreign)

Less: Margin

**Balance for which the Bank is contingently liable in respect of guarantee issued favouring:**

Directors or officers  
Government  
Banks and other financial institutions  
Others

Less: Margin

**17.3 Irrevocable letters of credit**

Back to back L/C  
Others

Less: Margin

**17.4 Bills for collection**

Bills for collection (Local)  
Bills for collection (Foreign)

**17.5 Value of Bangladesh Sanchaypatra****18 Income statement**

**Income:** Interest, discount and similar income  
Dividend income  
Fees, commission and brokerage  
Gains less losses arising from dealing securities  
Gains less losses arising from investment securities  
Gains less losses arising from dealing in foreign currencies  
Income from non-banking assets  
Other operating income  
Profit less losses on interest rate changes

**Expenses:** Interest, fees and commission  
Losses on loans and advances  
Administrative expenses  
Other operating expenses  
Depreciation on banking assets

Income over expenditure

Amount in BDT  
31-12-2013

-	-
150,000,000	150,000,000
38,572,686	38,572,686
<b>111,427,315</b>	<b>111,427,315</b>
-	-
-	-
-	-
150,000,000	150,000,000
<b>150,000,000</b>	<b>150,000,000</b>
38,572,686	38,572,686
<b>111,427,315</b>	<b>111,427,315</b>
-	-
6,211,000	6,211,000
<b>6,211,000</b>	<b>6,211,000</b>
1,107,000	1,107,000
<b>5,104,000</b>	<b>5,104,000</b>
-	-
-	-
256,169,118	256,169,118
-	-
2,419,256	2,419,256
-	-
-	-
-	-
-	-
5,264	5,264
-	-
<b>258,593,638</b>	<b>258,593,638</b>
48,626,193	48,626,193
-	-
71,027,788	71,027,788
24,109,256	24,109,256
1,725,970	1,725,970
<b>145,489,207</b>	<b>145,489,207</b>
<b>113,104,431</b>	<b>113,104,431</b>

		Amount in BDT 31-12-2013
<b>19</b>	<b>Interest income</b>	
	Interest on loans and advances	221,086
	Interest on placement with other banks and financial institutions	255,948,032
	Interest on foreign currency balances	-
		<b>256,169,118</b>
<b>20</b>	<b>Interest paid on deposits and borrowings etc.</b>	
	Interest paid on:	
	Interest on deposits	44,442,859
	Interest on borrowings	4,183,333
		<b>48,626,193</b>
<b>21</b>	<b>Investment income</b>	
	Interest income from Government Securities	-
	Capital Gain on Government Securities	-
	Revaluation gain/(loss) on Government Securities	-
	Dividend on investment in shares	-
	Gain on sale of investment in shares	-
		-
<b>22</b>	<b>Commission, exchange and brokerage</b>	
	Commission and brokerage	2,419,256
	Exchange gain	-
		<b>2,419,256</b>
<b>23</b>	<b>Other operating income</b>	
	Other Fees - SWIFT	3,625
	Miscellaneous income	1,639
		<b>5,264</b>
<b>24</b>	<b>Salaries and Allowances</b>	
	Basic salary	13,018,967
	Allowances	4,192,102
	Bonus	8,043,398
	Provident fund	513,792
		<b>25,768,259</b>
<b>25</b>	<b>Rent, taxes, insurance, electricity etc.</b>	
	Rent, rates and taxes	25,536,317
	Insurance	288,206
	Electricity and lighting	2,539,048
		<b>28,363,571</b>
<b>26</b>	<b>Postage, stamp, telecommunication etc.</b>	
	Postage	12,371
	Telephone /Telex	459,239
	Electronic Banking Services (On-line, Email, Internet etc.)	80,762
	SWIFT services	265,887
		<b>818,259</b>



**27 Stationery, printing, advertisements etc.**

Office stationery

Printing stationery

Security stationery

Office maintenance

Publicity and advertisement

**28 Managing Director's salary and fees**

Basic Salary

House Rent

House Maintenance

Utilities

Watch &amp; Ward Duty at Residence

Books and periodicals

Provident Fund

Bonus

**29 Directors' fees and expenses**

Directors' fees

Directors' haltage and travelling

**30 Depreciation on and repairs of Bank's assets**

Depreciation :

Furniture and fixtures

Computer and Computer peripherals

Software

Electrical appliance

Motor Vehicles

Repairs:

Utilities, repairs and replacement

**Amount in BDT  
31-12-2013**

397,226

1,065,976

524,382

1,062,487

6,168,496

**9,218,567**

2,345,000

703,500

469,000

281,400

134,000

87,100

234,500

700,000

**4,954,500**

265,000

-

**265,000**

319,135

248,589

816,666

189,312

152,268

**1,725,970**

1,639,632

**1,639,632****3,365,602**

		<b>Amount in BDT</b> <b>31-12-2013</b>
<b>31</b>	<b>Other expenses</b>	
	Security and cleaning	879,586
	Entertainment	3,084,832
	Car expenses	2,691,257
	Books and periodicals	70,354
	Subscription and donation	300,000
	Travelling expenses	474,344
	Conveyance	148,561
	Provision for Gratuity	2,200,000
	Fuel	50,433
	Training/seminar	99,405
	Preliminary expenses	10,452,925
	Miscellaneous	3,347,559
		<b>23,799,256</b>
<b>32</b>	<b>Tax expense</b>	
	Current tax	46,223,473
	Adjustment for prior years	-
	Deferred tax	8,058,555
		<b>54,282,028</b>
<b>33</b>	<b>Cash received from other operating activities</b>	
	Other Fees - SWIFT	3,625
	Miscellaneous income	1,639
		<b>5,264</b>
<b>34</b>	<b>Payments for other operating activities</b>	
	Rent rates and taxes	120,037,771
	Postage	818,259
	Directors fees	265,000
	Repairs	1,639,632
	Legal expenses	60,000
	Others expenses	23,799,256
		<b>146,619,918</b>
<b>35</b>	<b>Earnings per share</b>	
	Net profit after tax for the year ended 31 December (Taka)	56,910,293
	Number of ordinary shares outstanding	452,000,000
	Weighted average number of ordinary shares	128,789,042
	Earnings per share (EPS) on closing number of share	<b>0.13</b>
	Earnings per share (EPS) - (Weighted Average)	0.44

  
Managing Director & CEO

  
Director

  
Vice Chairman

  
Chairman

## 36 General

### 36.1 Audit Committee

Audit Committee of the Board of Directors of the Bank has been constituted by the Board of Directors in its 1st Meeting held on 01 August, 2013 comprising the following members as per provisions contained in Bangladesh Bank's BRPD Circular Letter No. 8 dated June 19, 2011.

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

#### Role of the Bank's Audit Committee

Oversee financial reporting process

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

During the year 2013, the Audit Committee held 1 (one) meeting. At this meeting, the Committee reviewed the Terms of Reference (ToR) of the Committee in purview with Bangladesh Bank's Circular and advised the Management to take necessary action for establishing a unique and up-to-the-mark Internal Control and Audit System in the Bank with adequate facilities complying policy guidelines by Bangladesh Bank.

### 36.2 Related party/(ies) disclosure

#### i) Particulars of Directors of the Bank as on 31 December 2013

Sl. No	Name	Status with the Bank	Interest in other concerns	
			Name of Concerns	Position
1	Mr. Humayun Kabir	Chairman	Dhaka Ice Cream Industries Limited	Chairman
			Zest Agro Food Processing Limited	Managing Director
			Northern Hacheries Limited	Managing Director
			Northern Rubber Plantation	Proprietor
2	Mr. Shaikh Salahuddin	Vice-Chairman	Islami Commercial Insurance Company Limited	Shareholder
			Ajmeer Navigation	Proprietor
			Fardin Fish	Proprietor
3	Mr. Sheikh Fazle Noor Taposh	Director	Sheikh & Chowdhury	Partner

Sl. No	Name	Status with the Bank	Interest in other concerns	
			Name of Concerns	Position
4	Mr. Md. Ismail Hossain (Representing Sharmin Apparels Limited)	Director	Ha-Meem Sportswear Limited	Managing Director
			Sharmin Apparels Limited	Managing Director
			Ha-Meem Washing Plant Limited	Managing Director
			Sharmin Fashions Limited	Managing Director
			Sharaf Apparels Limited	Managing Director
			A.M. Design Ltd	Managing Director
5	Mr. Nemai Kumer Saha (Representing Sandhani Life Insurance Company Limited)	Director	Sandhani Life Insurance Company Limited	DMD & CFO
6	Alhaj Anwar Hossain	Director	Anwar Group of Industries	Group Chairman
			Anwar Silk Mills Limited	Chairman
			Mehmud Industries Limited.	Chairman
			Hossain Dyeing & Printing Mills Limited	Chairman
			Anwar Cement Limited	Chairman
			Anwar Galvanizing Limited	Chairman
			Anwar Ispat Limited	Chairman
			Anwar Jute Spinning Mills Limited	Chairman
			A-One Polymer Limited	Chairman
7	Mr. Salahuddin Alamgir	Director	Matrix Sweaters Limited	Managing Director
			Starlight Sweaters Limited	Managing Director
			Raidha Collections Limited	Managing Director
			Starlight Knitters Limited	Managing Director
			Labib Fashions Limited	Managing Director
			Excel Sweaters Limited	Managing Director
			Sweater Cottage Limited	Managing Director
			Juthi Packaging Industries Limited	Managing Director
			Labib Dyeing Mills Limited	Managing Director
			Nice Cotton Limited	Managing Director
			Labib Poultry & Fisheries Limited	Managing Director
			Excel Telecom (Pvt) Limited	Managing Director
			Information Technology Consultants Ltd. (ITCL)	Director
Labib Poultry & Fisheries	Proprietor			



Sl. No	Name	Status with the Bank	Interest in other concerns	
			Name of Concerns	Position
8	Mr. Mostafa Kamal (Representing Tanveer Oils Limited)	Director	Tanveer Oils Limited	Managing Director
			Unique Power Plant Ltd	Managing Director
			United Feeds Ltd	Managing Director
			United Edible Oils Ltd	Managing Director
			United Mineral Water & Pet Ind.Ltd	Managing Director
			Tanveer Polymer Industries Ltd	Managing Director
			Tanveer Food Limited	Managing Director
			Tanveer Still Mills Ltd	Managing Director
			United Sugar Mills Ltd.	Managing Director
			Unique Hatchery & Feeds Ltd	Managing Director
			Meghna Flour & Dal Mills Ltd	Managing Director
			Kamal Trading Co. Limited	Managing Director
			Meghna Dairy & Food Products	Managing Director
			G.Shipping Lines Ltd.	Managing Director
			Meghna Coconut & Mustard Oil Mills Ltd	Managing Director
			United Fibre Industries Limited	Managing Director
			Tanveer Paper Mills Ltd	Managing Director
			United Salt Industries Ltd	Managing Director
			Commodity Trading (BD) Ltd	Managing Director
			Janata Flour & Dal Mills Ltd.	Managing Director
			Unique Cement Industries Ltd.	Managing Director
			Kamal Imports & Exports Ltd.	Managing Director
			Everest Power Generation Co Ltd.	Managing Director
			Bagdad Vegetable Oil Ind. Ltd	Managing Director
			Meghna Shipbuilders & Dockyard Ltd	Managing Director
			Mercantile Shipping Lines Ltd	Managing Director
			Meghna Properties Ltd.	Managing Director
			Surma Mustard Oil Mills Ltd	Managing Director
			Dhaka Plastic Bottle (PET) Ind. Ltd.	Managing Director
			Global Ad Star Bag Ind. Ltd.	Managing Director
Tasmin Chemical Complex Ltd.	Managing Director			
Sonargaon Salt Industries Ltd	Managing Director			
Tasnim Condensed Milk Ltd.	Managing Director			
Dhaka Securities Ltd.	Managing Director			
Meghna Seeds Crushing Mills Ltd	Managing Director			
Fresh Cement Industries Ltd	Managing Director			
Tanveer Printing & Packaging Ind Ltd.	Managing Director			
Meghna Milk Products Ltd	Managing Director			

Sl. No	Name	Status with the Bank	Interest in other concerns	
			Name of Concerns	Position
			Meghna Electricity Generation Co. Ltd.	Managing Director
			Meghna Aviation Ltd.	Managing Director
			Meghna Edible Oils Refinery Ltd	Managing Director
			Megna Pulp & Paper Mills Ltd.	Managing Director
			Meghna Chicks & Farms Ltd.	Managing Director
			A Class Builders Ltd	Managing Director
			USB International Lines Ltd.	Managing Director
			Meghna Tea Company Ltd	Managing Director
			Meghna Vegetable Oil Industries Ltd.	Managing Director
			Ekattur Media Ltd.	Chairman
			Digital Technologies Limited	Director
9	Ms. Tanjima Binthe Mostafa (Representing Everest Power Generation Company Limited)	Director	Everest Power Generation Company Limited	Director
			Unique Power Plant Ltd	Director
			Tanveer Polymer Industries Ltd	Director
			Tanveer Food Ltd.	Director
			Tanveer Still Mills Ltd	Director
			United Sugar Mills Ltd.	Director
			Unique Hatchery & Feeds Ltd	Director
			Janata Flour & Dal Mills Ltd.	Director
			Kamal Trading Co. Ltd.	Director
			Tanveer Paper Mills Ltd.	Director
			Meghna Shipbuilders & Dockyard Ltd.	Director
			Meghna Properties Ltd.	Director
			Surma Mustard Oil Mills Ltd	Director
			Dhaka Plastic Bottle (PET) Ind. Ltd	Director
			Global Ad Star Bag. Ind. Ltd	Director
			Tasmin Chemical Complex Ltd.	Director
			Sonargaon Salt Industries Ltd	Director
			Tasnim Condensed Milk Ltd.	Director
			Dhaka Securities Ltd.	Director
			Meghna Seeds Crushing Mills Ltd.	Director
			Fresh Cement Industries Ltd.	Director
			Tanveer Printing & Packaging Ind. Ltd.	Director
			Meghna Milk Products Ltd.	Director
			Meghna Electricity Generation Co. Ltd.	Director
			Meghna Aviation Ltd.	Director
			Meghna Edible Oils Refinery Ltd.	Director
			Megna Pulp & Paper Mills Ltd	Director
Meghna Chicks & Farms Ltd.	Director			
A Class Builders Ltd.	Director			
USB International Lines Ltd	Director			
Meghna Tea Company Ltd	Director			
Tanveer Oils Ltd.	Director			

Sl. No	Name	Status with the Bank	Interest in other concerns	
			Name of Concerns	Position
10	Mr. Humayun Kabir	Director	Bengal Plastic Industries Limited	Director
			Bengal Adhesive & Chemical Products Limited	Director
			Bengal Overseas Corporation Limited	Director
			Power Utility BD Limited	Director
			Bengal Petrochem and Synthetic Textiles Limited	Director
			Romania Food & Beverage Limited	Director
			Bengal Plastic Pipes Limited	Director
			Hemilton Metal Corporation Limited	Director
			Polycord Limited	Director
			Bengal Corrugated Carton Limited	Director
			Bengal Polymer Wares Limited	Director
			Bengal Concept & Holdings Limited	Director
			National Finance Limited	Director
			Bengal Windsor Thermoplastics Limited	Managing Director
National Television Ltd. (RTV)	Managing Director			
11	Mrs. Shahana Yasmin	Director	Farzan Fising	Proprietor
12	Mrs. Sultana Jahan	Director	Matrix Sweaters Limited	Director
			Starlight Sweaters Limited	Director
			Raidha Collections Limited	Director
			Starlight Knitters Limited	Director
			Labib Fashions Limited	Director
			Excel Sweaters Limited	Director
			Sweater Cottage Limited	Director
			Juthi Packaging Industries Limited	Director
			Labib Dyeing Mills Limited	Director
			Nice Cotton Limited	Director
			Labib Polutry & Fisheries Limited	Director
			Excel Telecom (Pvt) Limited	Director
			Raidha & Rabeya Agro Complex Ltd.	Director
			Raidha Poultry & Fisheries	Proprietor
13	Mr. Md. Abul Hossain (Representing S. Jute Industries Limited)	Director	S. Jute Industries Limited	Managing Director
			Golden Resources (Pvt) Limited	Managing Director
			A. H. Jute Spinners & Belting Ltd	Managing Director
			Samsunnahar Jute International Limited	Managing Director
			D. S. Jute Mills Limited	Managing Director
			A. H Builders Limited	Managing Director
			H. Auto Bricks Limited	Managing Director
			H.King Palace	Proprietor
			Hossain Filling Station	Proprietor
			Faridpur Golden Fibers	Proprietor

Sl. No	Name	Status with the Bank	Interest in other concerns	
			Name of Concerns	Position
14	Mr. Abdullah Al Islam Jakob	Director	Islam Fisheries	Proprietor
			Janik International	Proprietor
			Wowtel	Proprietor
15	Mr. Mohammad Ali Talukder	Director	D & S Pretty Fashions Ltd.	Chairman
			Pan Pacific Sweaters Ltd.	Chairman
			S. Suhi Industrial Park Ltd.	Chairman
			Pretty Wool ware Ltd.	Chairman
			Pretty Engineering Ltd.	Chairman
			Pretty Steel Mills Ltd.	Chairman
			Pretty Composite Textile Ltd.	Chairman
			Pretty Real Estate Ltd.	Chairman
			Pretty Sourcing & Inspection BD Ltd.	Chairman
			Pretty Auto Bricks Ltd.	Chairman
			Pretty Sweaters Ltd.	Chairman
16	Mr. Yousuf Ali (Representing Meghna Flour & Dal Mills Limited)	Director	Meghna Flour & Dal Mills Limited	Managing Director
			Agro Crop International.	Owner
17	Mr. A Mannan Khan (Representing Mango Teleservices Limited)	Director	Mango Teleservices Limited	Chairman
			Mango Electronics Limited	Chairman
			CSL Distribution Limited	Chairman
			Communication Solution Limited	Chairman & CEO
			Mango Holdings Limited	Managing Director
			Playpen School	Managing Director
18	Mr. Md. Mahbubur Rahman	Director	Mona Financial Consultancy & Securities Limited	Company Secretary

Sl. No	Name	Status with the Bank	Interest in other concerns	
			Name of Concerns	Position
19	Mr. Md. Didarul Alam	Director	Golden Bricks Works Limited	Managing Director
			T. R. Ship Breakers Limited	Managing Director
			T. R. Fshing Limited	Managing Director
			M/S Golden Still Alloy Works Limited	Managing Director
			Kumira Ship Breakers Limited	Managing Director
			Taher & Company Limited	Director
			Golden Oxygen Limited	Director
			Al Haj Mostafa Hakim Cement Industries Limited	Director
			Taher & Brothers	Director
			Golden Still Ri Rolling Mills Limited	Director
			Al Haj Mostafa Hakim Housing & Real Estate Limited	Director
			Bangladesh Finance & Investment Co Limited	Director
			Emerald Holdings Limited	Chairman
			Mostafa Hakim Shipping Lines Limited	Chairman
Golden Auto Workshop Limited	Chairman			
20	Mr. Md. Mizanur Rahman	Managing Director & CEO	-	-

### 36.2.1 Related party transactions

#### i) Loans and advances to directors and their related concern

Name of party	Name of the director	Related by	Nature of transaction	Amount in Taka	Status
A. H. Builders Ltd.	Mr. Md. Abul Hossain	Director	OD (General)	23,061,590	Regular

#### ii) Significant contracts where Bank is a party and wherein Directors have interest during the year 2013

Bank has rented a portion of 10,150 square feet of Bengal House located at House No.12/A, Road No.63 Gulshan-2, Dhaka-1212 at a monthly rent of BDT 1,400,000.00. The Bank has paid BDT 50,400,000.00 as advance against Office Rent which will be adjusted within 6 (six) years at BDT 700,000.00 per month from the monthly rent. During the year Bank has paid total of BDT 52,500,000.00 and outstanding balance as advance of BDT 48,300,000.00 on 31 December 2013.

### 36.3 Number of employees

The number of employees 59 (Fifty nine) engaged for the whole year or part thereof who received a total yearly remuneration of Tk 144,000 or above were 2013.

### 36.4 Highlights on the overall activities of the Bank

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



## Schedule of fixed assets including premises, furniture and fixtures as at 31 December 2013

Particulars	Cost				Rate of depre.	Depreciation			Written down value as at 31 December
	Balance as at 1 January	Additions during the year	Disposal during the year	Balance as at 31 December		Charged during the year	Adjustment for disposal during the year	Balance as at 31 December	
<b>Own assets</b>									
Office:									
Land	-	-	-	-	-	-	-	-	-
Building	-	-	-	-	2.50	-	-	-	-
Furniture and fixtures	-	37,466,236	-	37,466,236	10.00	312,220	-	312,220	37,154,016
Computer and Computer peripheral	-	15,341,211	-	15,341,211	20.00	255,504	-	255,504	15,085,707
Electrical Equipments	-	12,913,350	-	12,913,350	20.00	214,913	-	214,913	12,698,437
Motor vehicles	-	7,600,000	-	7,600,000	20.00	126,667	-	126,667	7,473,333
	-	<b>73,320,797</b>	-	<b>73,320,797</b>		<b>909,304</b>	-	<b>909,304</b>	<b>72,411,493</b>
Software									
		16,471,235		16,471,235	20.00	816,666	-	816,666	15,654,569
	-	<b>89,792,032</b>	-	<b>89,792,032</b>		<b>1,725,970</b>	-	<b>1,725,970</b>	<b>88,066,062</b>

## Highlights on the overall activities as at and for the year ended 31 December 2013

SI No.	Particulars	2013
1	Paid-up capital	Taka 4,520,000,000
2	Total capital	Taka 4,579,116,831
3	Capital surplus	Taka 579,116,831
4	Total assets	Taka 7,874,922,250
5	Total deposits	Taka 1,679,697,236
6	Total loans and advances	Taka 34,712,440
7	Total contingent liabilities and commitments	Taka 156,211,000
8	Credit deposit ratio	2.07%
9	Percentage of classified loans against total loans and advances	-
10	Profit after tax and provision	Taka 56,910,293
11	Amount of classified loans	Taka -
12	Provisions kept against classified loans	Taka -
13	Provision surplus/(deficit) against classified loans	Taka -
14	Cost of fund	12.25%
15	Interest earning assets	Taka 7,398,009,680
16	Non-interest earning assets	Taka 476,912,570
17	Return on investment (ROI)	0.73%
18	Return on assets (ROA) [PAT/ Average assets]	0.72%
19	Income from investment	Taka -
20	Capital Adequacy Ratio	150.36%
21	Stock dividend	-
22	Earnings per share	Taka 0.13
23	Net income per share	Taka 0.13
24	Price earning ratio	Times -

## LIST OF EXECUTIVES

### Managing Director & CEO

Mr. Md. Mizanur Rahman

### Additional Managing Director

Mr. Md. Shafiul Azam

### Deputy Managing Director

Mr. Md. Touhidul Alam Khan

### Senior Executive Vice President

Mr. Sheikh Talibur Rahman Mr. Khondaker Rahimuzzaman

Mr. Naim Md. Abdur Rashid

### Executive Vice President

Mr. Md. Shaheen Howlader Mr. Sufi Tofail Ahamed

### Senior Vice President

Mr. Javed Khan Mr. Moklesur Rahman

Ms. Fahmida Saeed Saki

### Vice President

Mr. Shaikh Mohammed Shoieb Mr. Md. Zainul Abedin

Mr. Arif Hasan Khan Mr. A H M Masud Murshed

### First Vice President

Mr. Biswas Arifur Rahman Mr. Md. Kayum Zaman

Mr. Md. Mahboobur Rahman Mr. Azim Salam Khan

Ms. Hasi Rani Bepari

### Assistant Vice President

Mr. Md. Abdus Selim

Mr. Md. Gias Uddin

Ms. Anisa Rashid

Mr. Mohammad Haider Ali Sikder

Mr. K M Murshed Kabir

Mr. Mohammad Najib Ullah

Mr. Mohammad Mahmud Hasan

Mr. S. M. Imran Alam

Mr. Muhammad Imran Alam

Mr. Jahangir Alam

Mr. Kawsar Ahamad

Mr. Md. Monirul Islam

Mr. Kazi Asif Mahbub

### Head of Branches

Name	Designation	Branch
Mr. Sheikh Talibur Rahman	Senior Executive Vice President	Motijheel
Mr. Naim Md. Abdur Rashid	Senior Executive Vice President	Gulshan
Mr. Moklesur Rahman	Senior Vice President	Jinnahnagar
Mr. Md. Zainul Abedin	Vice President	Amberkhana
Mr. Md. Kayum Zaman	First Vice President	Kanaipur
Mr. Md. Mahboobur Rahman	First Vice President	Ashulia
Mr. Mohammad Najib Ullah	Assistant Vice President (Current In-Charge)	Mitford
Mr. Kazi Asif Mahbub	Assistant Vice President (Current In-Charge)	Shakhipur

**BRANCH LOCATION**



## BRANCH & ATM NETWORK

### Motijheel Branch

DCCI Building  
65-66, Motijheel C/A  
Dhaka-1000  
Phone : 8802 9586686, 9586687  
Fax : +8802 9583807  
Manager: +88 01715012503  
E-Mail: talib@modhumotibankltd.com

### Amberkhana Branch

Amin Complex (1st Floor)  
Holding No: Weavs 80-A/1  
Airport Road, Amberkhana  
Sylhet  
Manager: +88 01913700566  
E-Mail: zainul@modhumotibankltd.com

### Ashulia Branch

Jamgora (Shimultola)  
P.O. Alia Madrasha  
Ashulia, Dhaka  
Manager: +88 01713444220  
E-Mail: mahb@modhumotibankltd.com

### Gulshan Branch

Bengal House  
75 Gulshan Avenue  
Gulshan, Dhaka  
Phone : 9860392, 9860332  
Manager: +88 01914773359  
E-Mail: naim@modhumotibankltd.com

### Kanaipur Branch

Kanaipur Bazar  
Thana- Faridpur  
Faridpur  
Manager: +88 01719632906  
E-Mail: kayum@modhumotibankltd.com

### Jinnahnagar Branch

Jinnahnagar, Union - Kajirber  
Thana- Moheshpur  
Jhenaidah  
Manager: +88 01971350395  
E-Mail: mokhlesur.rahman@modhumotibankltd.com

### Mitford Branch

57-58 Mitford Road, Dhaka  
Mob: 01713329470  
E-Mail: najib@modhumotibankltd.com

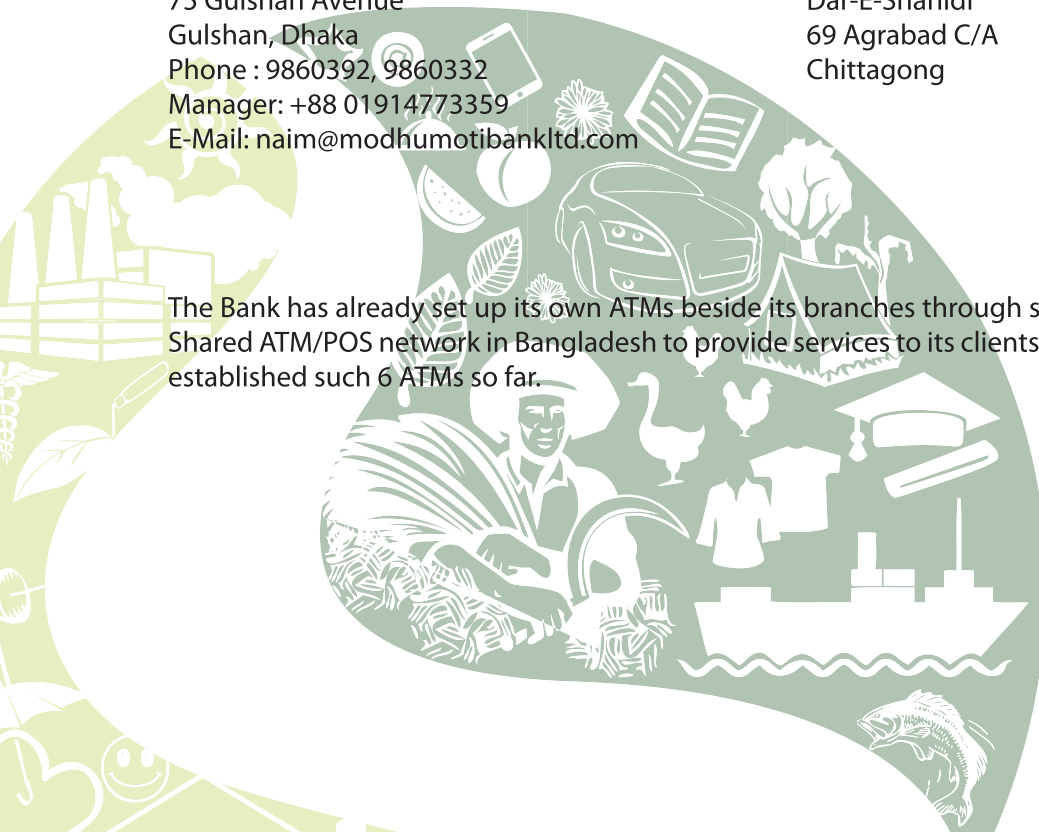
### Shakhipur Branch

Ward-7, P.O. & P.S.- Shakhipur  
Tangail  
Mob: +88 01977818707

### Upcoming Branch

Modhumoti Agrabad  
Dar-E-Shahidi  
69 Agrabad C/A  
Chittagong

The Bank has already set up its own ATMs beside its branches through sharing Q-Cash branded largest Shared ATM/POS network in Bangladesh to provide services to its clients. In the meantime, the Bank has established such 6 ATMs so far.





## Correspondent Bank Network

Foreign Correspondent / Bank Name	Country	Foreign Correspondent / Bank Name	Country
Korea Exchange Bank, Bahrain Branch	Bahrain	Korea Exchange Bank	Korea
Mashreq Bank	Bahrain	Woori Bank, Seoul	Korea
Belfius Bank SA/NV	Belgium	Mashreq Bank	Kuwait
Bank of Wenzhou (formerly Wenzhou City Commercial Bank)	China	Mizuho Bank (Malaysia) Berhad	Malaysia
China Everbright Bank	China	Deutsche Bank A.G. Amsterdam	Netherland
Bank of Communications	China	United Bank Limited, Doha	Qatar
Bank of Ningbo	China	Mashreq Bank, Qatar	Qatar
Industrial Bank Co. Ltd.	China	National Bank of Pakistan	Saudi Arabia
Industrial Bank of Korea (China) Limited	China	ICICI Bank Limited, Singapore Branch	Singapore
Mashreq Bank	Egypt	Korea Exchange Bank, Singapore Branch	Singapore
AB International Finance Ltd.	Hong Kong	Mizuho Bank Ltd., Singapore Branch	Singapore
Mashreq Bank PSC., Hong Kong Branch	Hong Kong	Caixabank, S.A.	Spain
The Bank of New York Mellon, Hong Kong Branch	Hong Kong	Neue Aargauer Bank AG	Switzerland
AB Bank Limited, Mumbai Branch	India	UBL (Switzerland) AG/ United Bank A.G., Zurich	Switzerland
ICICI Bank Limited	India	The Bank of New York Mellon, Taipei Branch	Taiwan
Mashreq Bank, India	India	Bank of Ayudhya Public Company Limited	Thailand
United Bank of India	India	Tekstil Bankasi A.S.	Turkey
Bank of China, Jakarta Branch	Indonesia	Turkiye Garanti Bankasi A.S.	Turkey
Unicredit S.P.A.	Italy	ICICI Bank Limited, UAE Branch	UAE
Banca Ubae S.P.A	Italy	Mashreq Bank PSC.	UAE
Banca Popolare Dell'emilia Romagna	Italy	Habib Bank UK PLC	UK
Korea Exchange Bank	Japan	Korea Exchange Bank	UK
National Bank of Pakistan	Japan	Mashreq Bank PSC, London Branch	UK
Mizuho Bank Ltd.	Japan	United National Bank	UK
Busan Bank	Korea	Mashreq Bank PSC., New York Branch	USA
Industrial Bank of Korea	Korea	Habib American Bank	USA



# MEMORABLE MOMENTS





*The Bank Officials handed over Bangladesh Bank's Approval letter to the Chairman*



*Sponsors and Directors celebrated Bangladesh Bank's Approval by arranging a get together*



*The honorable guests at the launching ceremony observed one minute silence in mourning for Shaheeds of 1971 and 1975*



*The Bank started operation by opening Motijheel Branch*



The Bank donated blankets to Hon'ble Prime Minister's Relief Fund



The Bank sponsored "Independence Cup Football Tournament" organised by Bangladesh Football Federation



The Bank celebrated Pohela Baishakh with Dhanmondi Club & SA TV



The Bank launched ATM Card with Q-Cash





*Cheque hand over to a woman entrepreneur under "Labonnyo" Scheme*



*The Bank launched a campaign "Go-ATM" to popular Bank's Debit Card*



*The Bank signed an agreement with Bangladesh Bank for Refinance Scheme namely "Brick Kiln Efficiency Improvement Project"*



*The Bank observed World Environment Day*





The Bank awarded freedom fighters who have opened accounts under "Freedom" campaign



The Bank arranged Business Conference 2014



The Bank participated in DCCI Entrepreneurship & Innovation Expo



The Bank signed an agreement with Western Union



Barrister Sheikh Fazle Noor Taposh, MP, Chairman Executive Committee inaugurated ATM booth at Motijheel Branch



The Bank launched a product naming "Probash Cash"



The Bank launched a product naming "Student File"



*The Bank signed an agreement with Bangladesh Bank for "Refinance Scheme for Agro-based Product Processing Industries in Rural Areas and Small Enterprises"*



*The Bank launched "Priority Banking"*



*The Bank observed 1<sup>st</sup> Anniversary*



## NOTICE OF THE FIRST ANNUAL GENERAL MEETING

Notice is hereby given to all members of Modhumoti Bank Limited that the First Annual General Meeting of the shareholders of the company will be held on **Tuesday**, the **25<sup>th</sup> November 2014** at **12:30 p.m.** at **Radisson Blu Water Garden Hotel Dhaka** to transact the following businesses and adopt necessary resolutions:

### AGENDA

1. To receive, consider and adopt the Audited Financial Statements for the year ended on 31st December 2013 together with Directors' Report and Auditors' Report thereon.
2. To elect/re-elect Director(s) as per provisions of Articles of Association of the Company and prevailing laws/regulations.
3. To appoint Auditor(s) for the term until conclusion of the next Annual General Meeting and to fix their remunerations.
4. To transact any other business with the permission of the Chair.

By order of the Board of Directors

November 10, 2014  
Dhaka

Sd/-  
**Ashutosh Talukder**  
Company Secretary (Current Charge)

### Notes:

- a. The Members (Sponsors) whose names appear in the Register of the Company shall attend the AGM.
- b. Any Member (Sponsor) of the Company entitled to attend and vote at the general meeting may appoint a Proxy to attend and vote on his/her behalf. No person shall be appointed a proxy who is not a Member of the company and qualified to vote save that a company being a Member of the Company may appoint as its representative any person whether Member of the Company or not. The Proxy Form duly filled in and signed by the Member (Sponsor) and stamped, must be submitted at the Registered Office of the Company at least 48 (forty eight) hours before the meeting.
- c. Members (Sponsors) are requested to notify the change of address, if any, well in time.
- d. Election of Directors shall be dealt in accordance with the provisions of the Articles of Association of the Company and the relevant rules/circulars of the regulatory authorities.
- e. M/s. Hoda Vasi Chowdhury & Co, Chartered Accountants, the current Auditors were appointed in the first meeting of the Board of Directors held on 1 August 2013 and will retire from office in the First Annual General Meeting. Since they have audited the accounts of the Bank for one year only, i.e., for the year 2013; they are eligible for re-appointment for next term according to Bangladesh Bank Circular No. BCD(P)748/3/546 dated 31.03.1991.



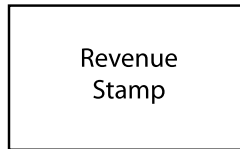
Registered Office: Banglar Bani Bhaban, 81, Motijheel C/A, Dhaka-1000, Bangladesh  
Head Office: DCCI Building (4th Floor), 65-66 Motijheel C/A, Dhaka-1000

**PROXY FORM**

I/We,.....of  
.....(Address) being  
shareholder(s) of Modhumoti Bank Limited and entitled to vote hereby appoint  
Mr./Mrs./Miss.....of  
.....(Address)  
as my/our proxy to attend and vote for me/us and on my/our behalf at the First Annual General  
Meeting of the Bank to be held on Tuesday, the 25th November 2014 at 12:30 p.m at Radisson Blu  
Water Garden Hotel Dhaka and at any adjournment thereof and the poll that may be taken in  
consequence thereof.

As witness my/our hand this.....day of.....2014.

\_\_\_\_\_  
(Signature of the Proxy)  
Date :.....



\_\_\_\_\_  
Signature of the Shareholder(s)  
Registered Folio :.....  
No. of Shares held :.....  
Date :.....

Signature Verified

\_\_\_\_\_  
Authorized Signature

Notes:

- 1. A Shareholder entitled to attend and vote at the First Annual General Meeting may appoint a Proxy to attend and vote in his/her behalf. The Proxy Form, duly stamped, must be deposited at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.
- 2. Signature of the member must be in accordance with the specimen signature registered with the Company.



**Attendance Slip**

I/We hereby record my/our presence at the First Annual General Meeting of Modhumoti Bank Limited on Tuesday, the 25th November 2014 at 12:30 p.m. at Radisson Blu Water Garden Hotel Dhaka.

Name of Shareholder(s)/ Proxy :.....  
Registered Folio No.: .....

\_\_\_\_\_  
Signature(s) of Shareholder(s)/ Proxy