



# 2019 Annual Report



**SHIMANTO BANK LIMITED**

শিমন্তো ব্যাংক লিমিটেড  
স্বাধীনতা পথ

# 2019 Annual Report



**SHIMANTO BANK LIMITED**

শিমন্তো ব্যাংক লিমিটেড  
সীমাহীন আস্থা

## Head Office & Registered Office

Shimanto Shamvar, 7<sup>th</sup> Floor  
Road No- 2, Bir Uttam M A Rob Sarak  
Dhanmondi, Dhaka-1205, Bangladesh.

☎ +8809612999000

✉ [information.desk@shimantobank.com](mailto:information.desk@shimantobank.com)

🌐 [www.shimantobank.com](http://www.shimantobank.com)







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## Letter of Transmittal

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All Shareholders of Shimanto Bank Ltd,  
Bangladesh Bank,  
Bangladesh Securities and Exchange Commission,  
Registrar of Joint Stock Companies & Firms and  
Other Stakeholders.

Dear Sir,

ANNUAL REPORT FOR THE YEAR 2019.

We are pleased to present before you the Annual Report of Shimanto Bank Limited along with the audited Financial Statements for the year ended on 31 December 2019.

The Report is furnished with Corporate Information, Board of Directors' Report, Board Committee Reports, Audited Financial Statements including Balance Sheet, Profit & Loss Account, Cash Flow Statement and Statement of Changes in Equity, Liquidity Statement along with Notes thereon for kind information and record.

Sincerely Yours,

A handwritten signature in black ink, appearing to be 'Mostafa Hossain'.

**Mohammad Mostafa Hossain Suman ACS**  
Company Secretary (Acting)

# NOTICE OF THE FOURTH ANNUAL GENERAL MEETING (AGM)

Notice is hereby given to all the Shareholders of Shimanto Bank Ltd that the 4<sup>th</sup> Annual General Meeting (AGM) of Shimanto Bank Limited will be held on Monday, June 29, 2020 at 1200 Hours at Digital Platform (Zoom Cloud Meeting) to transact the following business:

**Agenda:**

01. To receive and approve the report of the Board of Directors regarding the affairs of the company for the year ended on December 31, 2019
02. To receive, consider and adopt the Accounts for the year ended on December 31, 2019 together with the Auditor's Report
03. To approved dividend for the year ended on December 31, 2019
04. To elect/re-elect Directors as per Articles of Association of the Company
05. To appoint Auditors for the year ending on 2020 and to fix their remuneration

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

Date: 03 June 2020

By Order of the Board



**Mohammad Mostafa Hossain Suman ACS**  
Company Secretary (Acting)

**Note:**

1. The Book Closure will be on 10 June 2020. The Shareholders whose names would appear in the Register of Members of the Company on the 'Book Closure Date' (10 June 2020) will be eligible to attend the 4<sup>th</sup> AGM.
2. A member entitled to attend and vote at the General Meeting may appoint a proxy to attend and vote in his/her stead. Such proxy shall be a member of the company. The proxy form duly stamped should be deposited at the registered office of the Company not later than 48 hours before the time fixed for the meeting.
3. For the sake of convenience, shareholders are requested to submit their queries if any, on the Directors' Report/Audited Accounts for the year 2019 at the Registered Office of the Company preferably 72 hours before the day of the Annual General Meeting.



# VISSION

To build a sound and healthy financial institution which will provide technology driven customer centric inclusive banking solutions and contribute to the growth of national economy with deep social commitment.

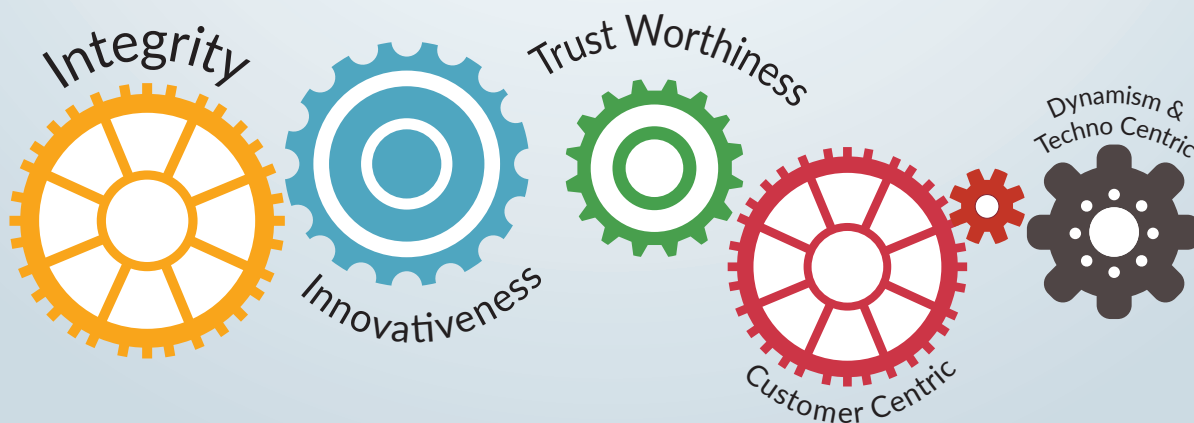
## MISSION

Achieve and maintain strong corporate governance, highest level of transparency and cost-efficiency at all levels of operations.

Ensure continuous improvement of policies, procedures and systems across the board for regulatory compliance and sustainable growth in all respect.

Uphold the corporate image by implementing core values and strategic priorities.

## CORE VALUES





# Corporate DIRECTORY

**Name of the Company**  
Shimanto Bank Ltd

**Legal Form**  
Public Limited Company & Scheduled Commercial Bank.

**Capital (December 31, 2018)**  
Authorized Capital : BDT 1000, 00, 00,000.00 (Taka One Thousand Crore)  
Paid-up Capital : BDT 400, 00, 00,000.00 (Taka Four Hundred Crore)  
Face value per share : BDT 10.00 (Taka Ten)

**Company Registration No**  
C-131884/2016

**Bangladesh Bank License**  
BRPD (P-3) 745 (70) / 2016-4878; Date: 21 July 2016

**Tax Payer Identification No**  
218822759143

**VAT Registration No**  
000001182

**Chairman**  
Major General Md Shafeenul Islam, BGBM (BAR), ndc, psc

**Managing Director & CEO**  
Muklesur Rahman

**Company Secretary (Acting)**  
Mohammad Mostafa Hossain Suman ACS

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

**Accounting Year-end**  
December 31, 2019

**Credit Rating Agency**  
Credit Rating Information and Services Ltd (CRISL)

**Head Office & Registered Office**  
Shimanto Shamvar, 7th Floor  
Road No- 2, Bir Uttam M A Rob Sarak  
Dhanmondi, Dhaka-1205, Bangladesh.



# Delivery Channel

(As on 31 December, 2019)



# Branch Network

(As on 31 December 2019)



## Information Centres

- Information Center at Peelkhana  
Dhaka. Phone: 9612889064
- Information Center at Halisohor, Chattogram.
- Information Center at Baitul Izzat,  
Satkania, Chattogram.

## Call Center

Shimanto Shamvar, 7<sup>th</sup> Floor  
Road No- 2, Bir Uttam M A Rob Sarak  
Dhanmondi, Dhaka-1205.  
Phone: 01769630360, 09612880000

## Branch Address & Contact

DHAKA	CHATTOGRAM	SYLHET	KHULNA	MYMENSINGH	RANGPUR
<b>Principal Branch</b> Shimanto Kalyan Trust Bhaban Road No-02, Bir Uttam M.A. Rob Sarak, Shimanto Square, Dhanmondi, Dhaka-1205 Phone: 9612880001 9612880002	<b>Agrabad Branch</b> Commercial Court (Ground Floor) 95 Commerce College Road Agrabad, Chattogram Phone: 9612880030, 9612880031	<b>Sylhet Branch</b> BGB Sector HQ, Sylhet Phone: +8809612880120 +8809612880121	<b>Khulna Branch</b> Milton Tower, 2nd floor, Holding no-64 K D A Avenue Road, Khulna Tel: 09612-880170, 09612-880171	<b>Mymensingh Branch</b> Khagdar Bazar Shimanto Market (BGB Camp) Sadar, Mymensingh Phone: 9612880020, 9612880022	<b>Lalmonirhat Branch</b> Ward No - 01, BGB Canteen More Lalmonirhat Patgram Highway Road Kotwali, Lalmonirhat-5500. Phone: +8809612880100, +8809612880101
<b>Motijheel Branch</b> Krishi Bhaban, 49-51 Dilkusha Commercial Area, Dhaka-1000, Bangladesh Phone: 9612880060 9612880061	<b>Satkania Branch</b> Hoque Plaza Shopping Centre & Complex Keranihat, Satkania, Chattogram Phone: 9612880040, 9612880041		<b>Benapole Branch</b> Noor Shopping Complex Benapole Bazar, Sharsha, Jessore Phone: 9612880050, 9612880051	<b>Seedstore Branch</b> Ishaque Khan Tower (1st Floor) Seedstore Bazar, Valuka, Mymensingh Phone: +8809612880110, +8809612880111	
<b>Uttara Branch</b> Plot No. 38, Rabindra Sarani, Sector-7, Uttara, Dhaka-1203 Tel: 09612-880150, 09612-880151	<b>Cox's Bazar Branch</b> Hazera Shopping Center (1st Floor) House: 490, Ward No-03 Cox's Bazar Main Road, Cox's Bazar Phone: 9612880080, 9612880082		<b>Pragpur Branch</b> Afsana Plaza, Pragpur Bazzar Pragpur, Doulatpur, Kushtia phone: 09612-880140, 09612-880141		
<b>Hazaribag Branch</b> BGB Super Market, 2nd Floor Lolito Mohon Das Lane Hazaribagh, Dhaka Tel: 09612-880160 09612-880161	<b>Teknaf Branch</b> Ismail Center (2nd Floor), PC 138 Ward no-03, Teknaf Pourashova Teknaf Main Road, Teknaf Phone: 9612880090, 9612880091				
	<b>Bibir Bazar Branch</b> Bibir Bazar, Cumilla Adarsha Sadar, Cumilla, Phone: 9612880070, 9612880071				
	<b>Champaknagar Branch</b> Western Plaza, Fatapur, Champak Nagar Bijoy Nagar, Brahman Baria Phone: +8809612880130 +8809612880131				





# Products and Services

## RETAIL BANKING

### RETAIL DEPOSIT PRODUCTS

#### 1. SMBL CURRENT ACCOUNT

SMBL Current Account is a non-interest bearing taka account for individual customers who want to make frequent and bulk amount of transactions.

#### 2. SHIMANTO SANCHAY ACCOUNT

Shimanto Sanchay, is an interest bearing taka account for Bangladeshi citizens to facilitate the customers to create a personal savings as well as personal transactions in a profitable manner.

#### 3. PAYROLL ACCOUNT

Payroll Account is an interest bearing taka account to facilitate the BGB and Non BGB staff to get the salary as well as making savings habit. Moreover, different loan facilities available against the salary accounts.

#### 4. SMBL STUDENT ACCOUNT

Shimanto Student Account is a specially designed savings account for school going children aged below 18 years to instil savings habit among our young generation as well as introduce financial services to them.

#### 5. SHIMANTO GLOBAL ACCESS ACCOUNT

Shimanto Global Access Account is an interest bearing Foreign currency account which can be opened by a resident

Bangladeshi after returning from travel abroad in USD without restriction on transaction frequency. Balances in these accounts shall be freely transferable abroad and foreign currency deposited in this account is freely convertible into BDT.

#### 6. ASTHAY OBOSHOR

Asthay Oboshor is a special type of term deposit scheme where an individual client can earn monthly interest on FDR.

#### 7. SHIMANTO DPS

Shimanto DPS is a monthly recurring savings scheme for individual customers that will allow them to save on a monthly basis and get a handsome amount at maturity.

#### 8. SHIMANTO STUDENT DPS

Shimanto Student DPS is a special savings plan that will allow our customers under student banking scheme to save on a monthly basis and get a handsome amount at maturity and which will allow our young generation to grow a habit of savings from the early stage of their life.

#### 9. SMBL TERM DEPOSIT

SMBL Term Deposit is a generic type term deposit scheme where an individual client can earn interest on FDR at maturity.

### RETAIL LENDING PRODUCTS

#### 1. SMBL PERSONAL LOAN

An EMI based collateral free loan product for salaried, self-employed or business persons with a repayment period of maximum 60 months. Loan amount ranges between Tk. 50,000 and Tk. 20,00,000.

#### 2. SMBL SHIMANTO NIBASH

To make the dream of one's own home into a reality, Shimanto Bank Limited brings you a home loan with exclusive benefits with a maximum loan limit of Tk. 1.20 Crore.

#### 3. SMBL VEHICLE LOAN

An EMI based loan product to purchase Reconditioned / Brand New vehicles / Motorcycle for personal use only. Loan amount ranges between Tk. 50,000 and Tk. 40,00,000.

#### 4. SMBL PROFESSIONAL LOAN

SMBL Professional Loan is a terminating loan facility (EMI based) for skilled professionals to support their small scale purchase of different equipment, tools and small machineries for installation at their business sites/offices.

#### 5. SHIMANTO SPECIAL LOAN

Shimanto Special Loan is an equal monthly installment (EMI) based term loan facility exclusively & specifically for the BGB employees for any legitimate purpose to meet their long term financial needs.

#### 6. SMBL EASY CASH

A secured overdraft facility for any legitimate personal or business purpose up to Tk. 10.00 Crore

## সীমান্ত নিবাস হাউস লোন



ব্যাংকিং হোক  
সীমাহীন আনন্দ



SHIMANTO BANK LIMITED  
সীমান্ত গ্রুপে নিবন্ধিত  
নিম্নলিখিত ব্যক্তি



ব্যাংকিং হোক  
সীমাহীন আনন্দ



অটো লোন



SHIMANTO BANK LIMITED  
সীমান্ত গ্রুপে নিবন্ধিত  
নিম্নলিখিত ব্যক্তি





## SME BANKING

### ➤ 1. SMBL CURRENT ACCOUNT (SME)

SMBL Current Account (SME) is a non-interest bearing taka account for small and medium enterprises where customers can make frequent and bulk amount of transactions both in respect of number and volume.

### ➤ 2. SMBL SND ACCOUNT (SME)

SMBL SND Account (SME) is an interest bearing Short Notice Deposit taka account for Bangladeshi SME entities. The main purpose of this product is to facilitate the customers to get some return from their floating fund.

### ➤ 3. SMBL TERM DEPOSIT (SME)

It is a generic type term deposit scheme where an SME client can earn interest on FDR at Maturity.

### ➤ 4. SMBL ASHTHA

An EMI based collateral free loan product for small segment clients with a repayment period of maximum 60 months. Loan amount ranges between Tk. 1,00,000 and Tk. 25,00,000.

### ➤ 5. SMBL DISHARI

EMI based loan for micro, cottage, small & medium enterprises for rural areas. The main purpose of this asset product is to extent financial support to the Micro, Cottage, Small & Medium enterprises in rural areas.

### ➤ 6. SMBL KRISHI RIN

SMBL Krishi Rin is a Short Term Loan (Demand Loan)/Revolving loan for the farmers. The purpose of the loan is to provide financial support to farmers for cultivation of crops, livestock farming and fisheries as per Bangladesh Bank Agricultural & Rural Credit Policy.

### ➤ 7. SME TIME LOAN

A loan facility to finance the work order for the SME & Corporate clients with a tenor of 30 days to 360 days.

### ➤ 8. SME TERM LOAN

A secured EMI based loan product for SME clients for fixed asset purchase, business expansion, import of capital machineries etc.

## CORPORATE BANKING

➤ SMBL Current Account (Corporate)

➤ SMBL SND Account (Corporate)

➤ SMBL Term Deposit

➤ Overdraft (Cash Credit)

➤ Secured Overdraft

➤ Time Loan

➤ Letter of Credit

➤ Loan against Trust Receipt (LTR)

➤ Letter of Guarantee

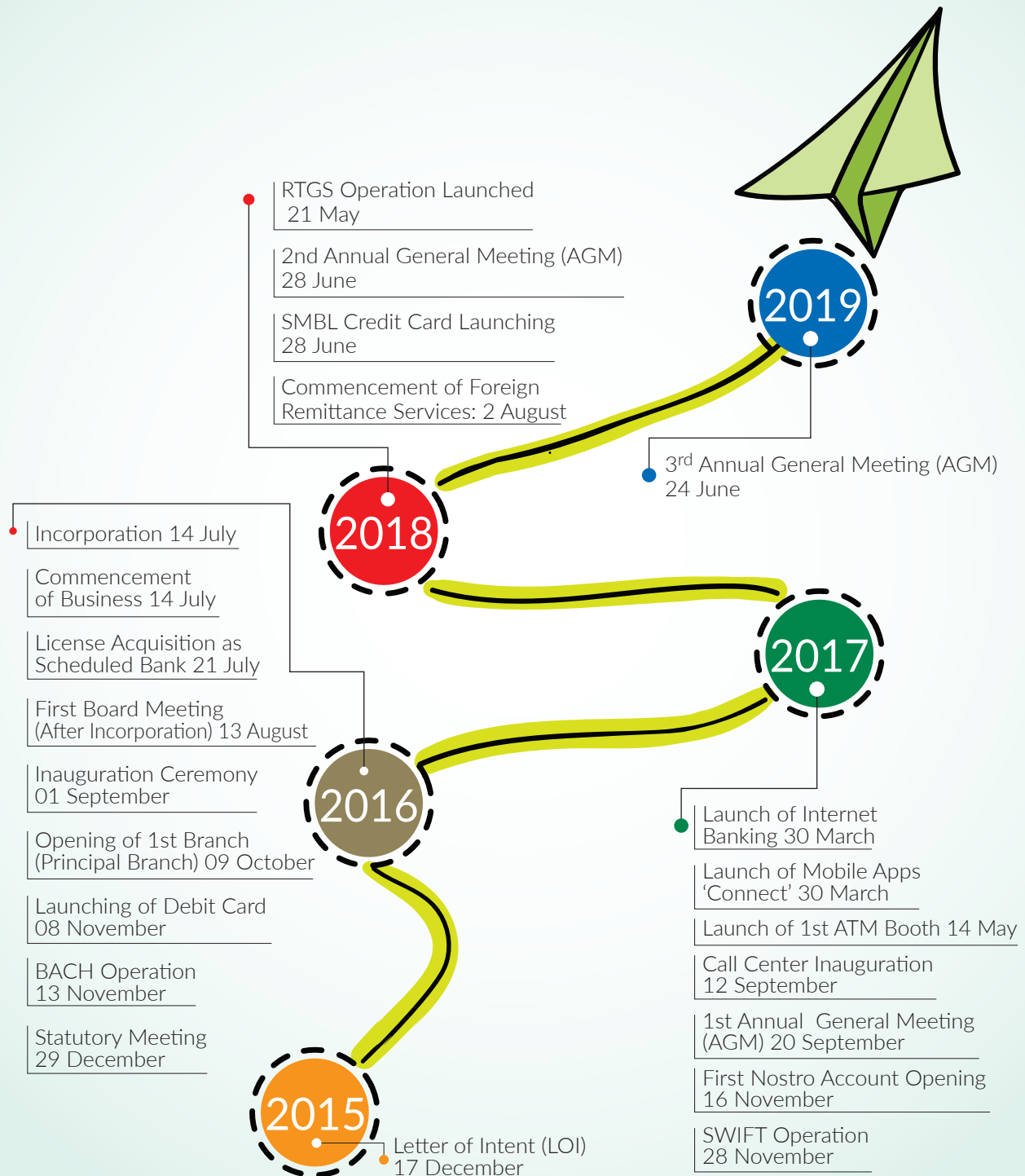
➤ Usance Letter of Credit

➤ Acceptance

➤ Local Documentary Bill Purchase

➤ Foreign Documentary Bill Purchase

# MILESTONES





# CHAIRMAN'S MESSAGE

Bismillahir Rahmanir Rahim

Esteemed Stakeholders,

Assalamu Alaikum.

It's a matter of honor and immense pleasure for me to be here with you and I would like to welcome you all to the Fourth Annual General Meeting of Shimanto Bank Ltd. It's my pleasure and great honor to present the information of the bank for the financial year 2019 before you on behalf of the Board of Directors.

### Overview and Strategy

This year we have made positive steps on our journey to improve our financial strength, culture and conduct agenda, and ensure these remain on a sustainable footing for the future. This work is ongoing as the external trends impacting the banking sector continue to evolve. The Board has maintained its oversight of the execution of the Bank's strategy throughout the year and we remain confident that it will deliver sustainable shareholder value and develop stronger organisation for our clients, colleagues, regulators and the community.

### Our Purpose

We envisioned for establishing a bank for financial inclusion and for contributing to the development and growth of the economy of the country. We all are pursuing the same goal of upward journey and excellence. To succeed in the mission, we have to have unwavering commitment and consistency. We believe that by implementing a well-defined policy on financial inclusion through exploring alternative delivery channels, it can serve the unbanked population of the country effectively and efficiently. To meet the customers' demands we are in a continuous endeavor to develop and design products and services for our existing and potential clients. The Bank always emphasizes customer care and has made relentless efforts to ensure the best possible services at a reasonable cost.

### Our Actions

We introduced several products and services in 2019 to attract and serve wide range of customers such as individuals, corporate, SMEs and the public sector. We also introduced some attractive products, both deposit and lending, especially for SME, agriculture and retail clients. The Bank opened 4 new branches in 2019, 4 branches in 2018, 7 branches in 2017 and 2 branches in 2016. The branches are connected to an online banking network and equipped with ATMs and modern technology.

### Our Achievement

As a new generation Bank, we have emerged as one of the most successful in upholding the Bank's vision of increasing returns without compromising its commitment to ethics and sustainability. We earned a distributable profit of BDT 11.90 crore. Its operating profit is BDT 30.09 crore up by BDT 11.87 crore from BDT 18.22 crore in 2018 and profit after tax increased to BDT 17.69 crore from BDT 7.17 crore in 2018. Most of the profits came from the core banking business of the Bank. The total Deposit rose by 44.84% to BDT 1,011.38 crore by the end of 2019. Loans and Advances totaled BDT 717.35 crore from BDT 583.53 crore in 2018 with an increase of 22.93%. The Paid-up Capital of the Bank was at BDT 400 crore as on December 31, 2019. Unlike many of our peer competitors in the financial services industry, we were well-capitalized, deposit-funded and liquid. Our capital management framework was intended to ensure the best composition capital in relation to business growth. Capital Adequacy Ratio as per BASEL-III, was 52.96%. Return on Investment (ROI) and Return on Equity (ROE) was at 4.80% and 4.42% respectively.





### Our Governance

The corporate governance system in Shimanto Bank is designed to ensure transparency and accountability at all levels of doing business. It also ensures that duties and responsibilities are appropriately segregated between the Board and management to provide sufficient checks and balances and flexibility for smooth business operations. The Board provides leadership and direction for the management, approves strategic and major policy decisions and oversees management to attain predetermined goals and objectives of the Bank.

### Thanks & Gratitude

You are all well aware that the entire world is severely affected by the COVID 19 pandemic virus and the banking sector in Bangladesh has also affected badly. I like to assure you all that SMBL is well-capitalised and fully liquid and has taken certain proactive measures to remain resilient to combat the uncertainties. The bank is prioritizing the projects related to digital banking solutions for its valuable clients. We have constructive relationships with regulatory authorities in Bangladesh. I am grateful to all the regulatory agencies of the government, in particular the Bangladesh Bank, Bangladesh Securities and Exchange Commission, the Registrar of Joint Stock Companies and Firms for their continued support. I thank every customer of the bank for their unwavering trust and support. I also thank various financial institutions, banks and correspondents for their continued support and guidance. I congratulate the employees of the bank too for good performance in 2019. I wish to thank my colleagues on the Board for their wise counsel and guidance which has supported visible achievements reported by the bank in 2019.

Warm Regards.

**Major General Md Shafeenul Islam, BGBM (BAR), ndc, psc**  
Chairman, Board of Directors  
Shimanto Bank Ltd  
June 29, 2020



## Board of DIRECTORS



Major General Md Shafeenul Islam, BGBM (BAR), ndc, psc  
Chairman



Brig Gen Khondaker Shahidul Ghani, MPH  
Director



Brig Gen Abu Taher Md Ibrahim, ndc  
Director



Brig Gen Khondoker Farid Hassan, BGBM, PBGM (BAR), ndc  
Director



Brig Gen Md Moazzem Hossain, BGBM, PhD  
Director



Brig Gen Md Towhidul Islam, PBGM, afwc, psc  
Director



Brig Gen Benazir Ahmed, afwc, psc  
Director



Colonel Md. Rashidul Alam  
Director



Colonel Abu Sayed Al Masud, PBGMS, psc  
Director



Colonel Md. Mahfuzer Rahman, PBGM, psc, PEng, MSc  
Director



Colonel A M M Khairul Kabir, psc  
Director



Mr. Muklesur Rahman  
MD & CEO



## CHAIRMAN'S PROFILE

### Major General Md Shafeenul Islam, BGBM (BAR), ndc, psc Chairman

Major General Md Shafeenul Islam, BGBM (BAR), ndc, psc has joined as the Director General of Border Guard Bangladesh (BGB) on 28 March 2018. He joined Bangladesh Military Academy on 25 June 1984 and was commissioned on 27 June 1986 in the Corps of Infantry. He has attended several professional courses both at home and abroad.

He is a graduate of Defence Services Command and Staff College and National Defence College, Mirpur. He has completed Infantry Officers Advance Course from USA, Staff Course and Arabic Language Course from Saudi Arabia. He also obtained his Masters in Defence Studies from National University, Bangladesh.

Major General Md. Shafeenul Islam performed various important responsibilities of Staff, Instructor and Command level appointments in his military career. At the Staff level, he was the Brigade Major of one Infantry Brigade, Director of Counter Intelligence Bureau in Directorate General of Forces Intelligence (DGFI) and Director General in the Armed Forces Division (AFD). He served as instructor in the School of Infantry and Tactics, Sylhet, Senior Instructor at NCO's Academy and Directing Staff of Defence Services Command and Staff College (DSCSC), Mirpur. He commanded an Infantry Battalion, a Battle Group and two Infantry Brigades. He participated in the United Nations Mission as Observer in Iraq.



## DIRECTOR'S PROFILE



**Brig Gen Khondaker Shahidul Ghani, MPH**  
Director

Brig Gen Khondaker Shahidul Ghani, MPH, MS (Health Informatics) was appointed as Additional Director General (Medical) of Border Guard Bangladesh. He joined Bangladesh Army on 06 January 1988 in Army Medical Corps (AMC). He completed his MBBS degree from Rajshahi Medical College under Rajshahi University and completed MPH from Dhaka University, MSc in Health Informatics from Bangladesh University of Health Sciences (BUHS), Dhaka. He has also attended several professional courses both in home and abroad.

Brig Gen Khondaker Shahidul Ghani He has a variety of experience as staff in Bangladesh Army, Bangladesh Navy, Chattagram Medical College Hospital and Kurmitola General Hospital, Dhaka. He was one of the Brilliant member of Operation Kuwait Punargadan (OKP-5).



**Brig Gen Abu Taher Md Ibrahim, ndc**  
Director

Brig Gen Abu Taher Md Ibrahim, ndc is currently serving as Additional Director General in Border Guard Bangladesh. He was born on 04 Dec 1966. He was commissioned in the East Bengal Regiment on 25 Dec 1986. Besides his regimental appointments, he commanded three battalions. He served as Weapon Training Instructor in the School of Infantry and Tactics. He was also appointed as Chief Instructor in the Corps of Military Police Centre and School and Army School of Physical Training and Sports. He served as the Commandant of Army School of Physical Training and Sports. He also served as Director of Counter Terrorism Intelligence Bureau in the Directorate General of Forces Intelligence. He has served in the UN mission in Iraq.



## DIRECTOR'S PROFILE

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### Brig Gen Khondoker Farid Hassan, BGBM, PBGM (BAR), ndc Director

Brig Gen Khondoker Farid Hassan, BGBM, PBGM (BAR), ndc is the Additional Director General of Border Guard Bangladesh. He is the Chairman of the Audit Committee of the Board of Shimanto Bank Ltd.

He Joined Bangladesh Army on 13 January 1987 and was commissioned on 23 December 1988 in the Corps of Infantry. He has attended several professional courses both at home and abroad. He is a graduate of Bangladesh Military Academy. He has completed NDC course from National Defence College. He also obtained Master of Arts in Strategic Security Studies from National Defence University, USA (College of International Sy Affairs) and Master of Strategy and Development Studies from Bangladesh University of Professional.

Brig Gen Khondoker Farid Hassan has a verity of experience as Staff, Instructor and Commander in Bangladesh Army, Border Guard Bangladesh and Rapid Action Battalion. He Participated in the United Nations Peace Keeping Missions Bosnia Herzegovina (UNPROFOR).

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### Brig Gen Md Moazzem Hossain, BGBM, PhD Director

Brig Gen Md Moazzem Hossain, BGBM, PhD is the Director of Shimanto Bank Ltd. He joined Bangladesh Military Academy in 1990 and was commissioned on 1991 in the Corps of Infantry. He is a graduate of BMA. He also obtained Master of Business Administration Studies from Mid West Misowri University and Doctor of Philosophy (PhD) in Archaeology from Jahangirnagar University, Dhaka.

Brig Gen Md Moazzem Hossain has variety of experience as staff, instructor and commander in Bangladesh Army and Border Guard Bangladesh. He participated in the United Nations Peace keeping Missions Iraq, Kuwait, Uganda and DR Congo.

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## DIRECTOR'S PROFILE



**Brig Gen Md Towhidul Islam, PBGM, afwc, psc**  
Director

Brig Gen Md Towhidul Islam, PBGM, afwc, psc is Additional Director General (Administration) of Border Guard Bangladesh. He is the Chairman of the Risk Management Committee of the Board of Shimanto Bank Ltd. He is an IT professional serving in Bangladesh Army over 26 years, a System Analyst and developer contributed over more than thirty systems, applications and other IT podia for entire army.

He is a graduate in Computer Science and Engineering (CSE) with additional two master degrees in his credentials namely Masters in Defense Studies and Masters in Business Administration. In undertaking of further knowledge, currently he is doing post graduate in ICT at Bangladesh University of Professionals. In military career progression, he did numerous courses both at home and abroad. He is a graduate from Defense Services Command and Staff College. He also completed Armed Forces War Course and accredited as an Alumnae of National Defense College, Mirpur.

He served as a grade two staff officer in Armed Forces Division and Chief Instructor in Signal Training Centre and School. He commanded Static Signal Company at Ghatail and 5 Signal Battalion at Rangpur. He is the raising Commandant of Army IT Support Organization (AITSO). In Border Guard Bangladesh, he served as Sector Commander in Khulna Sector. He served three terms in United Nations Peacekeeping Mission under blue helmet.



**Brig Gen Benazir Ahmed, afwc, psc**  
Director

Brig Gen Benazir Ahmed, afwc, psc is Director of Shimanto Bank Ltd and ADG of Border Guard Bangladesh (BGB). He Joined Bangladesh Military Academy on 08-01-1991 and was commissioned on 20-12-1992 in the Corps of Armoured. He has attended several professional courses both at home and abroad. He is a graduate from DSCSC & NDC, Mirpur, Dhaka.

Brig Gen Benazir Ahmed, afwc, psc has a verity of professional experience as Staff, Instructor and Command in Bangladesh Army/Border Guard Bangladesh. He has served as GSO-2 (Ops) and GSO-1 in an Infantry Division. He has participated in the United Nations Peace Keeping Missions at Siera Lion (as contingent member) and Darfur, Sudan (as staff officer) and served in prestigious President Guard Regiment.





## DIRECTOR'S PROFILE

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### Colonel Md. Rashidul Alam

Director

Colonel Md. Rashidul Alam is Director of Shimanto Bank Ltd and Deputy Director General (Logistics) of Border Guard Bangladesh. He was born on 23 Nov 1970 in the District of Bogra Bangladesh. He Joined Bangladesh Military Academy on 12 July 1988 and was Commissioned on 22 Jan 1990 in the Corps of Infantry. He has attended several professional courses both at home and abroad. He is graduate of BMA, Bhatiary, Chattogramin 1990. He completed his Masters on business Administration in 2006 from American International University of Bangladesh.

Colonel Rashidul Alam has a verity of experience as Staff, Instructor and Commander in Bangladesh Army/Border Guard Bangladesh/Rapid Action Battalion and Special security force. He Participated in the United Nations peace keeping Missions and in Operation Kuwait Punargothon for four years in Kuwait.

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### Colonel Abu Sayed Al Masud, PBGMS, psc

Director

Colonel Abu Sayed Al Masud, PBGMS, psc is appointed as Deputy Director General (Record) of Border Guard Bangladesh. He Joined Bangladesh Military Academy on 07 Jan 1992 and was commissioned on 16 December 1993 in the Corps of Infantry. He has attended several professional courses both at home and abroad. He is a graduate of MBA, Bhatiary, Chattogram. He has completed Staff Course-30 from DSCSC Mirpur Dhaka. He also obtained Master of Defense from National University.

Abu Sayed Al Masud, PBGMS, psc has verity of experience as Staff, Instructor and Commander in Bangladesh Army/ Border Guard Bangladesh. He Served in Operation KuwaitPunorgothon (OKP) in 1998-99 participated in the United Nations peace keeping Missions at Sudan.

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## DIRECTOR'S PROFILE



**Colonel Md. Mahfuzur Rahman, PBGM, psc, PEng, MSc**  
Director

Colonel Md. Mahfuzur Rahman, PBGM, psc, PEng, MSc is the Deputy Director General (Works) of Border Guard Bangladesh. He joined Bangladesh Military Academy in 1993 and was commissioned on 1995 in the Corps of Engineers. He has completed graduate course (psc) from Defence Services Command and Staff College (DSCSC), Mirpur. He obtained Master of Arts in Defense Studies and Master of Science in Civil Engineering from Bangladesh University of Professional, Dhaka.

Col Md. Mahfuzur Rahman has variety of experience as staff, instructor and command in Bangladesh Army and Border Guard Bangladesh. He was deputed as Explosive Ordnance Device (EOD) Expert in OKP, Kuwait.



**Colonel A M M Khairul Kabir, psc**  
Director

Colonel A M M Khairul Kabir, psc is Sector Commander of Dhaka Sector, Border Guard Bangladesh (BGB). He Joined Bangladesh Military Academy on 16 June 1993 and was commissioned on 16 June 1995 in the Corps of AC. He has attended several professional courses both at home and abroad. He is a graduate of BMA, Bhatiary, Chattogram. He has completed SC-33 course from DSCSC, Mirpur, Dhaka. He also obtained MSc degree from Bangladesh University of Professionals (BUP) and University of Baluchistan, Pakistan.

Col Kabir has a variety of experience as Staff, Instructor and Commander in Bangladesh Army and Border Guard Bangladesh. He Participated in the United Nations Peace Keeping Missions in Sudan and Congo.



**Muklesur Rahman**  
Managing Director & CEO

Mr. Muklesur Rahman is a veteran Banker with more than 36 years' experience in reputed local and foreign Banks. Prior to joining Shimanto Bank Ltd, he was Managing Director & CEO of NRB Bank Ltd. Commencing a career with United Commercial Bank in 1984, he gradually moved up the ladder by serving global top banks such as Standard Chartered, ANZ Grindlays, City NA in various senior management capacities leading large teams spanning from branch management, retail, SME, operations, distributions, compliance, foreign trade to project management etc. In his long career he has successfully led some large projects including a mammoth core banking system migration where he has led from the front as the Chairman of the Steering Committee of the project. Mr. Muklesur Rahman passed B.Com (Hon's) and M. Com major in Management from Dhaka University in 1983. He has attended numerous leadership, management development and learning programs at home and abroad and instilled international best practices in all entities he has served. He has brought numerous local and international accolades both for himself and for the organizations he worked.





## Executive Committee

1. Major General Md Shafeenul Islam, BGBM (BAR), ndc, psc	Chairman
2. Brig Gen Khondakar Shahidul Ghani, MPH	Member
3. Brig Gen Abu Taher Muhammad Ibrahim, ndc	Member
4. Mr. Mohammad Mostafa Hossain Suman ACS	Secretary

## Audit Committee

1. Brig Gen Khondoker Farid Hassan, PBGM (BAR), ndc	Chairman
2. Brig Gen Md Towhidul Islam, PBGM, afwc, psc	Member
3. Mr. Mohammad Mostafa Hossain Suman ACS	Secretary

## Risk Management Committee

1. Brig Gen Md Towhidul Islam, PBGM, afwc, psc	Chairman
2. Colonel Md Rashidul Alam	Member
3. Col Md. Mahfuzer Rahman, PBGM, psc, PEng, MSc	Member
4. Mr. Mohammad Mostafa Hossain Suman ACS	Secretary

Note: Executive Committee, Audit Committee and Risk Management Committee as on 28 May, 2020.



“Managing Director  
& CEO's Review”





## Dear Respected Shareholders & Stakeholders,

It's an immense pleasure that we have accomplished another year successfully and we have stepped to the 4th year of the Bank. It's great honor for me to present our success report during the financial year 2019.

### The Journey of Glory

The long cherished dreams Border Guard Bangladesh and BGB Welfare Trust for building an innovative techno centric Bank for inclusive financial development of the national economy. The Dream become true on the 1st day of September, 2016 when Honorable Prime Minister Sheikh Hasina launched the Bank with the slogan of 'ShimahinAstha' It's our pleasure that we are on the journey to accomplish the said vision.

### Branch & Network Expansion

You will be pleased to know that we have developed centralized banking system backed by core banking solution and implemented latest technology for best user experience and customer satisfaction. Since commercial operation, we have expanded our branch network to seventeen branches countrywide by the end of the year 2019. We have established sixteen ATMs, a Call Center and three Information Centers countrywide for providing easy service and information to the existing as well as prospective customers. The number of our account holders have exceeded above fifty thousand.

### Financial Achievement in 2019

Overcoming the macroeconomic challenges and strong competition prevails in the banking industry, we have booked a deposit of BDT 10,113.82 million and loan of BDT 7,173.46 million at the end of the year 2019. We have reported an operating profit of BDT 300.88 million and profit after tax of BDT 176.89 million. Capital adequacy ratio as per BASEL III was 52.96% (against required 10.625% of Risk Weighted Assets). Return on Investment (ROI) and Return on Assets (ROA) were 4.80% and 4.42% respectively.

### Welfare & Financial Inclusion of BGB Family

The Bank is for welfare of BGB Families. The profit of the Bank will be utilized for development of lifestyles of BGB families. We want to develop entrepreneurship among the members of the families of BGB soldiers. Our goal is to open at least one account of every members of Border Guard Bangladesh. We are providing banking services to the marginal people of the rural remote areas as well as the BGB members and their families.

### Service to Ruhingya Refugees

You will be pleased to know that we have partnered with the donor and aid agencies working for the Ruhingya refugees at Ukhia and Teknaf in Cox's Bazar District. In collaboration with the aid agencies, we have been distributing cash aid to the refugees through our channel/PoS.

### Wheels on State of Art Technology & Innovation

As we are aware that customers' needs vary with the change of time and technology, we emphasized customer service excellence and provided technology based real time service to attract potential customers and also to retain our existing customer groups. We placed paramount importance to customer service and built lasting relationships as partnership.

We are also providing extended banking services to the corporate clients for financing their innovative and sustainable projects. The Bank will be the forerunner among the new generation Banks through engaging experienced management team, developing innovative products & services, establishing state of art technological infrastructure.



### Excellence through Corporate Governance

Establishing corporate governance through transparency and accountability is our highest priority. We are implementing corporate governance principles of both global and local standards in the operation of the Bank. Trust and confidence of the customers is our core asset and we are accountable to all the stakeholders. We are giving most importance to key parameters of corporate governance such as complete separation of ownership and management, independent board room culture, efficient of board committees, accountability among shareholders, board, the committees and the management, fair financial reporting, disclosure and compliance.

### Forward Looking 2020

While celebrating the accomplishment of another year of successful journey of the Bank, we will be vigilant of the future challenges and growth. As you may be aware that the interest capping regime has come in to force from April 2020. And in order to ensure sustainable growth and acquiring due share in this competitive market, it is required to set strategies and bring innovation in products and services. Our priorities for 2020 are as follows:

- ▶ Launching of School Banking
- ▶ Promoting 'Home Loan' product countrywide.
- ▶ Formal launching of Credit Cards with value proposition.
- ▶ Expand network for distributing salary of all BGB Members countrywide.
- ▶ Developing a Rural Banking Model and implement the said model across the border areas
- ▶ Deploying modern banking infrastructure which is readily understood by mass people
- ▶ Developing customer aspirated products and mixing the deposits.
- ▶ Increasing non-funded income and exploring the possible source of non-funded income
- ▶ Maintaining the capital base above the regulatory requirement and ensuring the non-performing loan at zero percent.

### Thanks & Gratitude

Both the World Bank and the International Monetary Fund (IMF) have expressed apprehensions about the economic growth that may slide down to just over 2.0 per cent during the current fiscal year. Their prediction appears to be realistic given the decline in or negative growth in developed and developing nations. The government still remains optimistic about growth prospect. However, damages to the Bangladesh economy will depend largely on duration and pervasiveness of Covid-19

I would like to take this opportunity to thank all of our valued customers for their cooperation and support. I also thank the employees for their relentless efforts and commitment for building the Bank. I wish to express my gratitude to the Board of Directors for their wise direction and guidance in matters of governance and strategic matters which has helped us for timely implementation of the projects and for setting strong foundations for sustainable growth. I express my appreciation and thanks to all the regulators for their valuable guidelines and co-operation provided from time to time. We believe that the year 2020 will be full of success.



**Mukllesur Rahman**  
Managing Director & CEO  
Shimanto Bank Ltd  
29 June, 2020



# Credit Rating Statement



Credit Rating Information and Services Ltd (CRISL) has completed its credit rating of the Bank based on the basis of financials of the Bank up to December 31, 2018 and other operational performances up to the date of rating. Shimanto Bank Ltd was awarded A- (pronounced as Single A Minus) in the Long Term and 'ST-3' in the Short Term.

Assigned Rating	
Long Term	A-
Short Term	ST-3
Outlook	Stable
Date of Rating	15 December 2019
Valid up to	14 December 2020

Methodology: CRISL's Bank Rating Methodology



## Management Committee (MANCOM)



- 1 | **Alim Hossain Khan**  
Head of General Security & Transportation
- 2 | **Arab Fazlur Rahman**  
Head of Business
- 3 | **Muklesur Rahman**  
Managing Director & CEO
- 4 | **Md. Rafiqul Islam**  
Deputy Managing Director & CRO
- 5 | **A K M Golam Rabbani**  
Head of HR, Infrastructure Development & Procurement

- 6 | **Md. Moniruzzaman**  
Manager, Finance
- 7 | **Mohammad Mostafa Hossain Suman ACS**  
Company Secretary (Acting)
- 8 | **Mohammad Azizul Hoque**  
Head of Operations
- 09 | **Shahneela Islam Shanil**  
Head of Brand & Corporate Affairs
- 10 | **Muhammad Shawkat Alam**  
Head of ICC
- 11 | **Ashraful Alam Bhuyian**  
Head of IT & ADC





## Four-Year Financial Performance

Amount in BDT

Particulars	2019	2018	2017	2016
<b>Balance Sheet Metrics</b>				
Authorised capital	10,000,000,000	10,000,000,000	10,000,000,000	10,000,000,000
Paid up capital	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000
Shareholders' equity	4,267,686,012	4,089,834,312	4,036,719,102	4,005,083,724
Loans and advances	7,173,461,524	5,835,300,077	2,744,822,928	435,197,581
Deposits	10,113,827,024	6,982,635,204	3,793,917,768	914,210,556
Borrowing	-	-	-	-
Statutory Liquidity Reserve Ratio (SLR) (% at close of the year)	15.64	15.64	25.22	14.75
Cash Reserve Requirement (CRR) (% at close of the year)	6.32	10.58	12.24	15.30
Liabilities to shareholders' equity (times)	2.47	1.78	0.98	0.24
Investment	1,752,807,126	761,499,140	633,660,565	154,956,858
Fixed assets	301,794,910	129,448,053	106,682,729	43,012,871
Total assets	14,821,990,448	11,376,493,358	7,979,748,700	4,955,598,908
<b>Income Statement Metrics</b>				
Net interest income (excluding investment income)	659,976,483	449,843,313	300,316,791	78,611,980
Non-interest income	82,714,698	71,143,965	21,498,454	1,324,192
Investment income	60,369,781	54,941,980	16,436,683	1,229,413
Non investment income (exchange, fees & charges)	22,344,917	16,201,985	5,061,771	94,779
Operating income	742,691,181	520,987,278	321,815,245	79,936,171
Operating expense	441,811,930	338,762,035	233,181,683	63,923,557
Operating profit (profit before provision and tax)	300,879,251	182,225,243	88,633,562	16,012,615
Provision for loans, investment and other assets	11,619,823	44,550,984	25,028,259	4,229,381
Profit before tax (PBT)	289,259,428	137,674,259	63,605,303	11,783,234
Profit after tax (PAT)	176,894,733	71,719,849	28,030,739	5,083,724
<b>Capital Metrics</b>				
Total Risk weighted assets (RWA)	8,204,873,206	6,669,375,533	3,786,197,709	1,816,733,447
Common Equity Tier-1 Capital	4,266,729,044	4,089,834,312	4,033,114,462	4,005,083,724
Tier-2 Capital	78,783,515	73,808,624	29,257,640	4,229,381
Total Regulatory capital (Tier 1 and Tier 2)	4,345,512,559	4,163,642,936	4,062,372,102	4,009,313,105
Capital to risk weighted assets ratio (CRAR)(%)	52.96	62.43	107.29	220.69

## Four-Year Financial Performance

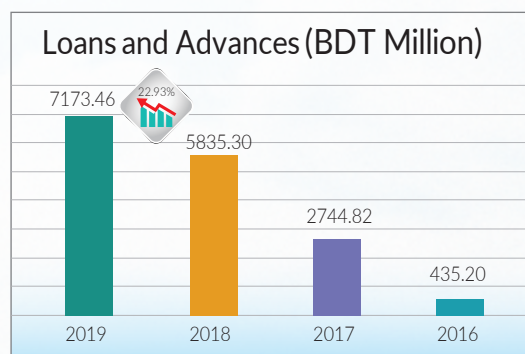
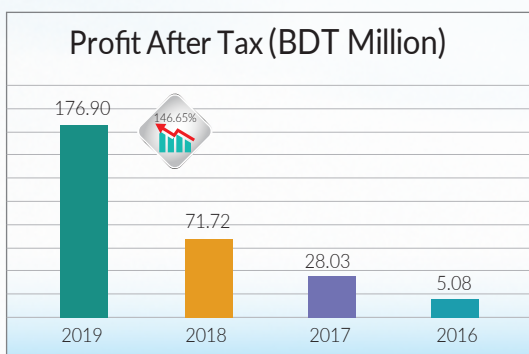
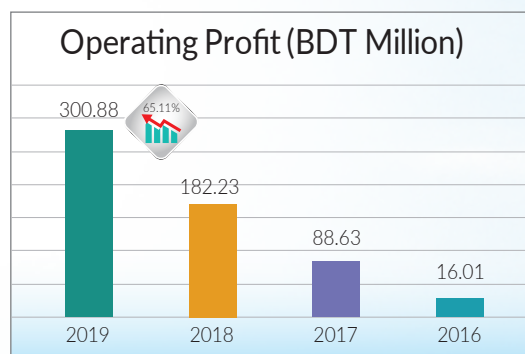
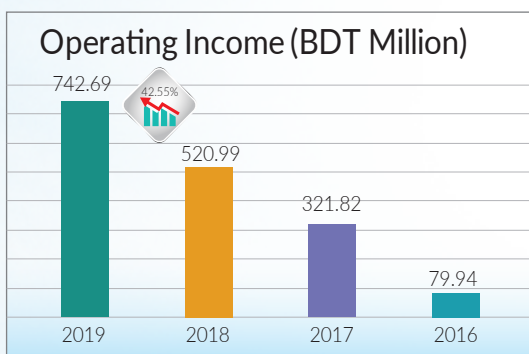
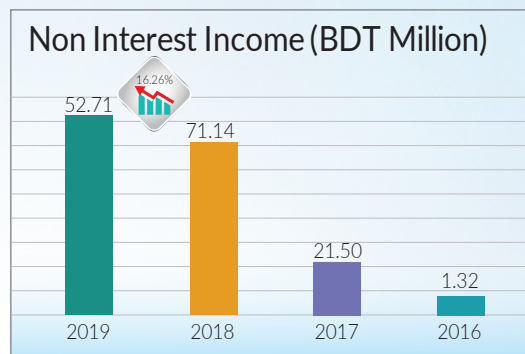
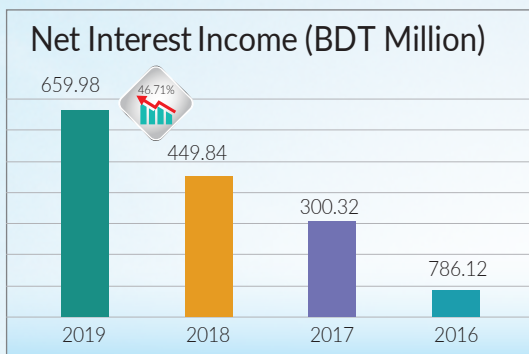
Amount in BDT

Particulars	2019	2018	2017	2016
Common Equity Tier - 1 Capital to RWA (%)	52.00	61.32	106.52	220.45
RWA to total assets (%)	55.35	58.62	48.00	37.00
<b>Credit Quality</b>				
Non performing /classified loans (NPLs)	31,178,639	5,571,794	-	-
Specific provision (cumulative)	7,601,900	1,996,356	-	-
General provision (cumulative)	77,117,654	37,983,681	25,028,259	4,229,381
NPL Ratio (%)	0.43	0.10	-	-
NPL coverage ratio (Specific provision + General Provision)/Gross NPL (%)	271.72	717.54	NA	NA
<b>Trade Business Metrics</b>				
Export	5,850,822	-	-	-
Import	99,445,459	43,382,034	1,105,624	-
Guarantee	51,722,327	798,616,112	-	-
<b>Efficiency / Productivity Ratios</b>				
Return on average equity (ROE)	4.23%	1.77%	0.70%	0.13%
Return on average assets (ROA)	1.35%	0.74%	0.43%	0.10%
<b>Share Based Metrics</b>				
Earnings per share (EPS) in BDT	0.44	0.18	0.07	0.01
Operating profit per share in BDT	0.75	0.46	0.22	0.04
NAV per share in BDT	10.66	10.23	10.10	10.01
<b>Other Information</b>				
Number of branches	17	13	9.00	2
Number of permanent employees	175	162	123	68
Number of deposit accounts	57,024	41,431	21,995	4,000
Number of loan Accounts	11,799	8,751	4,848	78
Number of RMA	48	45	28	-
Number of Foreign Account	30	3	2	-
Number of ATM	16	10	9	-
Number of service centers	3	3	3	1



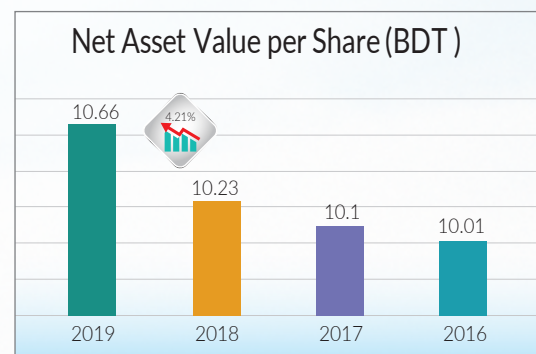
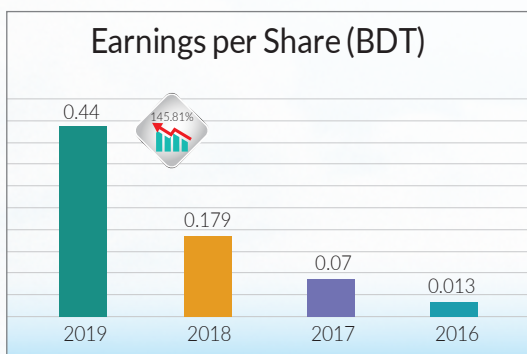
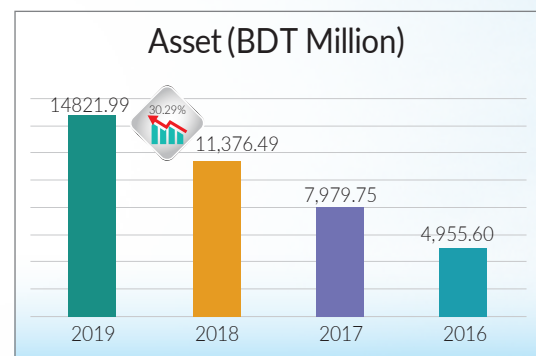
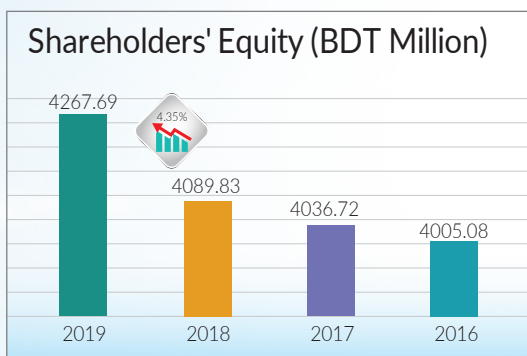
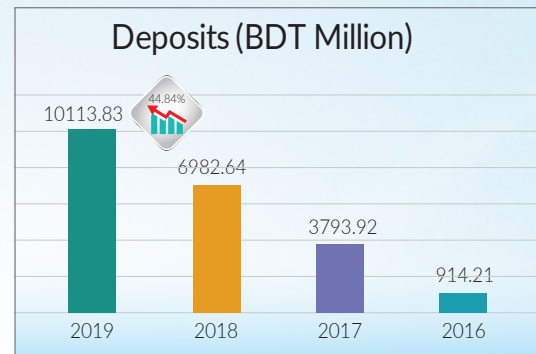
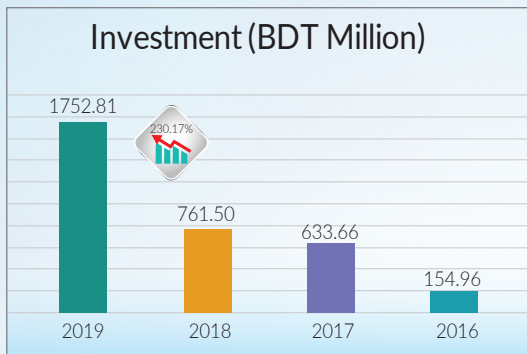


## Financial Highlights



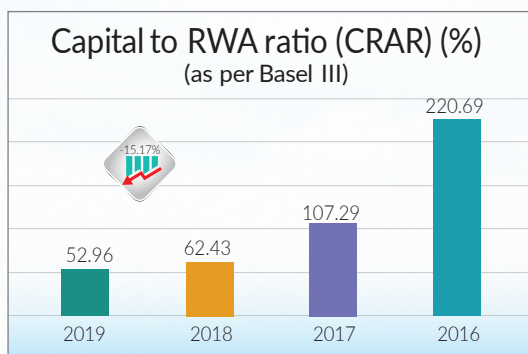
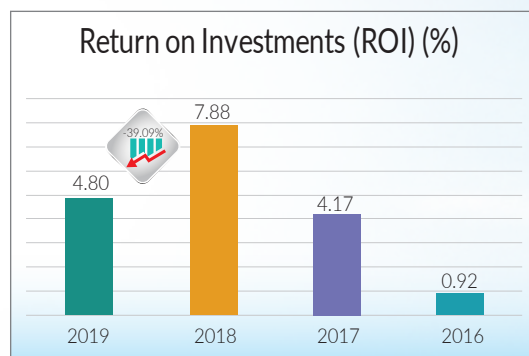
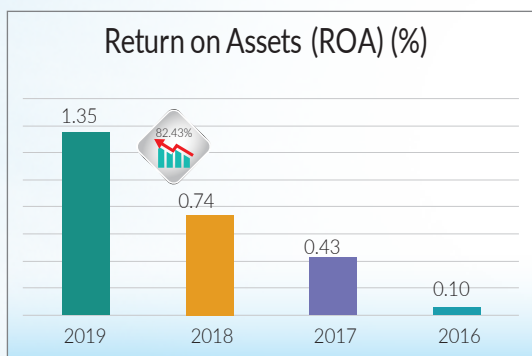
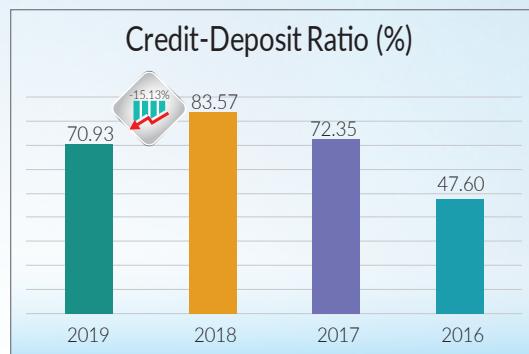
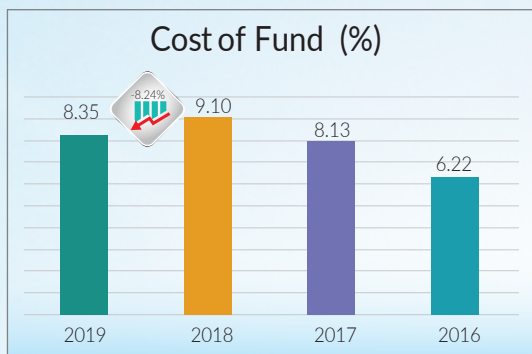


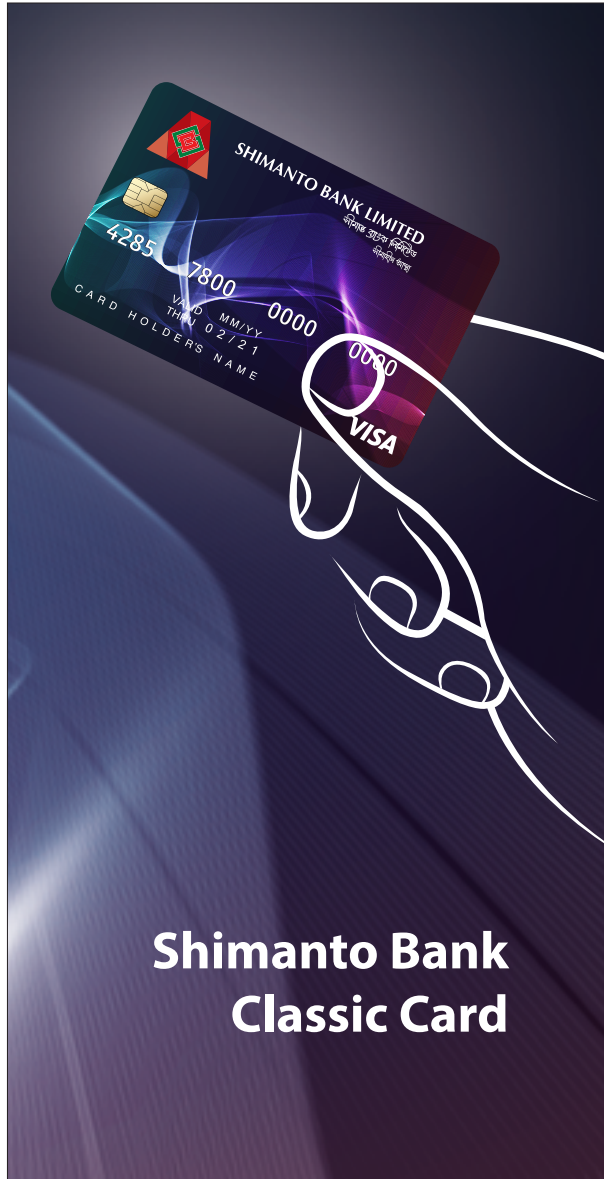
# Financial Highlights





## Financial Highlights

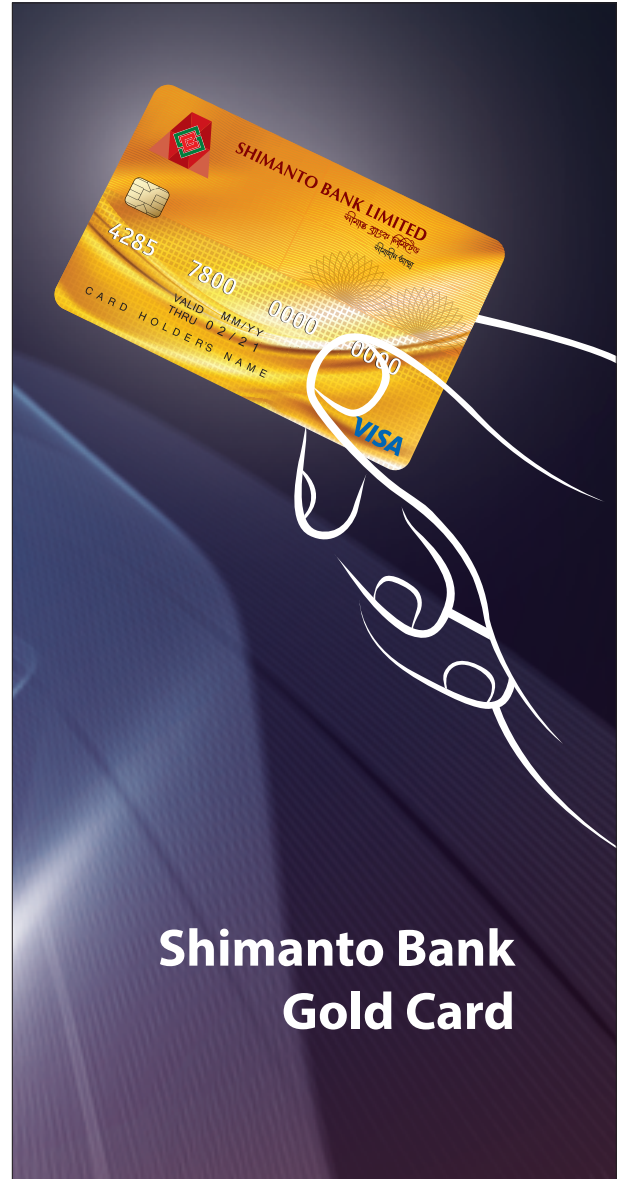




**Shimanto Bank  
Classic Card**



**SHIMANTO BANK LIMITED**  
শিমন্ট ব্যাংক লিমিটেড  
কিনার্বাং জেলা



**Shimanto Bank  
Gold Card**



**SHIMANTO BANK LIMITED**  
শিমন্ট ব্যাংক লিমিটেড  
কিনার্বাং জেলা





## Glimpse of 3<sup>rd</sup> Annual General Meeting (AGM)



Honorable Chairman Major General Md Shafeenul Islam, BGBM (BAR), ndc, psc was greeted with floral bouquet in 3<sup>rd</sup> AGM by an officer of the Bank.



Honorable Chairman Major General Md Shafeenul Islam, BGBM (BAR), ndc, psc was delivering valuable speech in 3<sup>rd</sup> AGM of the Bank. Respected delegates from Border Guard Bangladesh, top officials, the patrons and well-wishers of the Bank were present in 3<sup>rd</sup> AGM.

## Glimpse of 3<sup>rd</sup> Annual General Meeting (AGM)



Shareholders of the Bank are seen casting their votes in favor of an agenda transacted in the 3<sup>rd</sup> AGM.



The Chairman, Members of the Board and Managing Director & CEO of the Bank are seen present in the 3<sup>rd</sup> AGM.



Shareholders, Directors, Management Officials, representatives of Auditors, Legal Advisors and other stakeholders attended in the 3<sup>rd</sup> AGM.





## Event Highlights 2019



Honorable Chairman Major General Md Shafeenul Islam, BGBM (BAR), ndc, psc was launching Uttara Branch of the Bank. Members of the Board, Officials of Civil Administration, Managing Director & CEO along with top Executives of the Bank and were seen present in the Opening Ceremony.



Audit Committee of the Board met in a Meeting which was presided over by the Chairman of the Audit Committee Brig Gen Khondoker Farid Hassan, BGBM, PBGM (BAR), ndc.



Brig Gen Abu Taher Md Ibrahim, ndc, Member of the Board was present as chief guest in the opening ceremony of Hazaribag Branch. Managing Director & CEO Mr. Muklesur Rahman with other Management officials were present in the program.



## Event Highlights 2019



Memorandum of Understanding (MoU) was signed between Shimanto Bank Ltd and ACF for providing cash disbursement to beneficiaries of ACF. Managing Director & CEO Mr. Muklesur Rahman and Mr. Nipin Gangadharan, Country Director of ACF were seen exchanging the documents.



Brig Gen Benazir Ahmed, afwc, psc was opening the Pragpur Branch of the Bank as Chief Guest. Mr. Rafiqul Islam, Deputy Managing Director & CRO with other Management officials were present in the opening ceremony.



Mr. Muklesur Rahman, Managing Director & CEO of Shimanto Bank Ltd and Mr. Mamunur Rashid, Managing Partner of PwC led the delegations on an agreement signing ceremony between the organizations.



## Event Highlights 2019



Opening Ceremony of Khulna Branch inaugurated by Colonel Md. Arshaduzzaman Khan, PBGM, Sector Commander of Khulna Sector BGB. Top Executives of the Bank were present in the Program.



Ms. Begum Soma Islam, Chief Patron of Shimanto Poribar Kolyan Samiti was present as Chief Guest in the Essay Writing Competition on International Mother Language Day-2019 sponsored by Shimanto Bank Ltd. Winners of the Competition were with the distinguished guests.



## Event Highlights 2019



Mr. Muklesur Rahman, Managing Director & CEO was delivering his speech in the Milad Mehfil for commemorating program of 44<sup>th</sup> death anniversary of father of the nation Bangabandhu Sheikh Mujibur Rahman.



Officials of Shimanto Bank Ltd who accomplished the Foundation Training at Bangladesh Institute of Bank Management (BIBM) were with top officials.





## Event Highlights 2019



MoU was signed between Biman Bangladesh Airlines Ltd and Shimanto Bank Ltd in presence of top executives of the respective organizations.



MoU was signed between Trust Bank Ltd and Shimanto Bank Ltd for providing remittance services through Express Money. Top Executives of the both organizations were present in the signing ceremony.



MoU was signed between US Bangla Airlines Ltd and Shimanto Bank Ltd in presence of top executives of the respective organizations.

## Event Highlights 2019



Mr. Muklesur Rahman, Managing Director & CEO was delivering his speech in the Town Hall Meeting of the Bank.



Ms. Nihad Kabir, President of Metropolitan Chamber of Commerce and Industry (MCCI) and Mr. Muklesur Rahman, MD & CEO were present with the officials in the celebration of International Women's Day-2019.





SMBL ASTHA  
SME Loan

 **SHIMANTO BANK LIMITED**  
শিমন্তো ব্যাংক লিমিটেড  
সিএমবিএল

# REPORT OF THE BOARD OF DIRECTORS

## Dear Stakeholders,

The Board of Directors welcome you all at the 4<sup>th</sup> Annual General Meeting of Shimanto Bank Ltd and is pleased to present the Annual Report for the year ended on 31 December 2019 together with the Audited Financial Statements & Auditor's Report thereon. A review of business and financial performance of the Bank and a snapshot of global and local economic trend affecting the performance of the Bank and condition of banking industry in Bangladesh is provided with this report.

## Global Economy & Economic Outlook

The global economy has grown by 2.9% in 2019. However, global growth is projected to contract sharply by -3.0% in 2020 as COVID-19 pandemic is inflicting high and rising human costs worldwide requiring isolations, lockdowns, and widespread closures to slow the spread of the virus, which in turn is having a severe impact on economic activity around the globe. The IMF has attributed this outcome far worse than during the 2008 global financial crisis – requiring extraordinary downward revision of growth forecast by 6.0% in IMF's April 2020 Outlook compared to January 2020.

Advanced economies are projected to contract by 6.1% in 2020 – where several economies have experienced widespread outbreaks and deployed containment measures. Most economies in the group are forecast to contract this year. In parts of Europe, the outbreak has been as severe as in China's Hubei province. Although essential to contain the virus, lockdowns and restrictions on mobility are extracting a sizable toll on economic activity. Adverse confidence effects are likely to further weigh on economic prospects.

Among emerging market and developing economies, all countries face a health crisis and is projected to contract by -1.0% in 2020; excluding China, the growth rate for the group is expected to be -2.2%. The 2020 growth rate for the group excluding China is marked down by 5.8% from the IMF's January 2020 projection. Growth would be even lower if more stringent containment measures are necessitated by a wider spread of the virus among these countries. Emerging Asia is projected to be the only region with a positive growth rate in 2020 (1.0%), albeit more than 5% below its average in the previous decade. In China, indicators such as industrial production, retail sales, and fixed asset investment suggest that the contraction in economic activity in the first quarter is likely about 8% year over year. Even with a sharp rebound in the remainder of the year and sizable





fiscal support, the economy is projected to grow at a subdued 1.2% in 2020. Several economies in the region are forecast to grow at modest rates, including India (1.9%) and Indonesia (0.5%), and others are forecast to experience large contractions (Thailand, -6.7%). Global growth is expected to rebound to 5.8% in 2021, well above trend, reflecting the normalization of economic activity from very low levels. The advanced economy group is forecast to grow at 4.5%, while growth for the emerging market and developing economy group is forecast at 6.6%. In comparison, in 2010 global growth rebounded to 5.4% from -0.1% in 2009. The rebound in 2021 depends critically on the pandemic fading in the second half of 2020, allowing containment efforts to be gradually scaled back and restoring consumer and investor confidence. Nonetheless, the level of GDP at the end of 2021 in both advanced and emerging market and developing economies is expected to remain below the pre-virus baseline.

### **Bangladesh Economy and Economic Outlook**

Bangladesh has continued its strong GDP growth trajectory in FY2019, with stable inflation and domestic consumption, and is set to graduate to a developing country in 2024, from its current LDC (least developed country) status. Today, Bangladesh has successfully diversified into a manufacturing-based economy, riding on sustained growth in the ready-made garment (RMG) sector, which accounts for 85% of the country's total export earnings. Remittance inflows further grew by 9.5% in FY2019 to USD 16.4 billion after rebounding strongly in FY2018. The sector continues to play a significant role in promoting private consumption, employment creation and external stability.

Current account deficit (CAD), which was heating up in FY2018 also cooled down to USD 5.3 billion due to favourable export and remittance growth, while import growth was largely stagnant. As a result, foreign exchange reserves of the nation stood at USD 32.72 billion at the end of FY2019. Inflation declined further by 30 bps to 5.48% in FY2019, while GDP growth was recorded at a remarkable 8.15% for the first time in the history of the country. Improving balance of payments and net foreign asset (NFA) growth recovery fostered by supportive policy measures eased liquidity stress in both BDT and USD by the end of FY2019 that had spilled over from the widening CAD during the previous fiscal year. Simultaneously, the country needs to keep reinforcing its macroeconomic policy framework and advance a range of structural measures to reshape institutional and regulatory policies of the economy to help realize the latent growth potential of the country with its already favourable demographics.

The Government of Bangladesh had set a target of 8.2% GDP growth for FY2020, which is rather optimistic with regard to the current scenario of the coronavirus pandemic. IMF has forecasted a GDP growth rate of only 2% for FY2020 assuming the impact of the pandemic with a V-shaped recovery to 9.5% in FY2021.

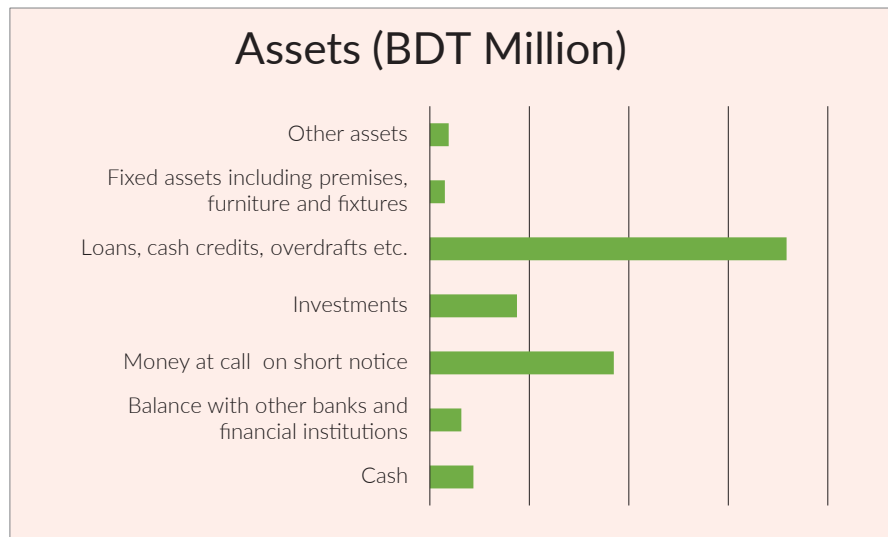
The World Bank has projected a similar GDP growth of 2-3% for FY2020 with a more conservative growth of 2.9% in FY2021. Bangladesh Bank has also made GDP forecasts for FY2020 (3.8%), FY2021 (5.7%) and

FY2022 (8.0%). Nevertheless, GDP growth rate is likely to mediate somewhere among these two extremes for FY2020 with a much stronger growth in the next fiscal year.

## Financial Highlights

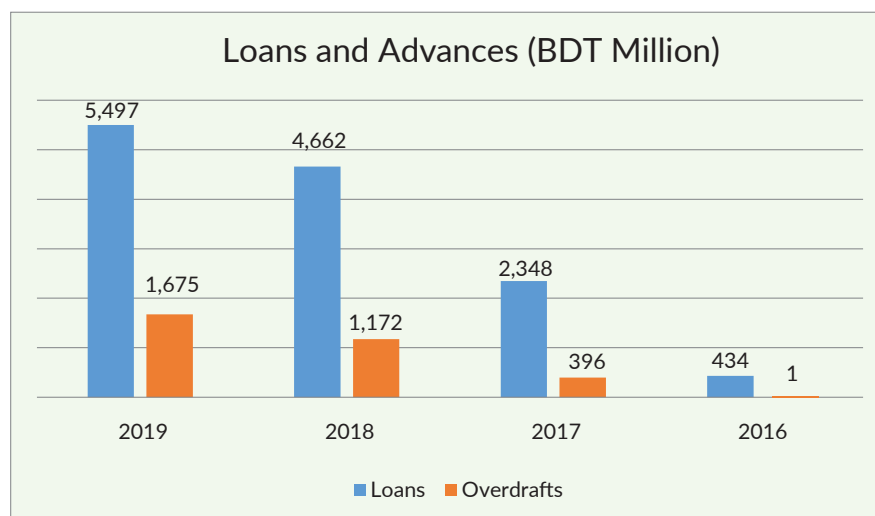
### Asset Portfolio

Total Assets of the Bank stood at BDT 14,821.99 million in 2019. The asset portfolio comprised of BDT 877.23 million as Cash, BDT 636.05 million as Balance with Other Banks and FIs, BDT 3,700.00 million as Money on Call at Short Notice, BDT 1752.81 million as Investments, BDT 7,173.46 million as Loans and advances, BDT 301.79 as Fixed Assets and BDT 380.65 million as other assets.



### Loan & Advance

The total loans and advances of the Bank is BDT 7,173.46 million for the year ended 2019.

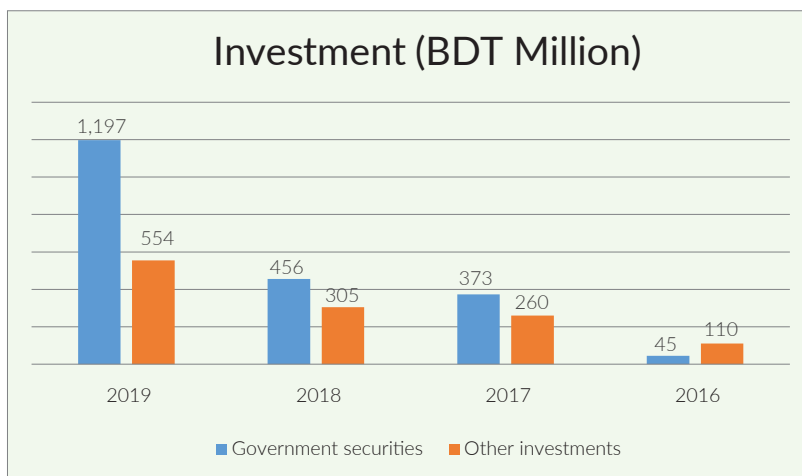






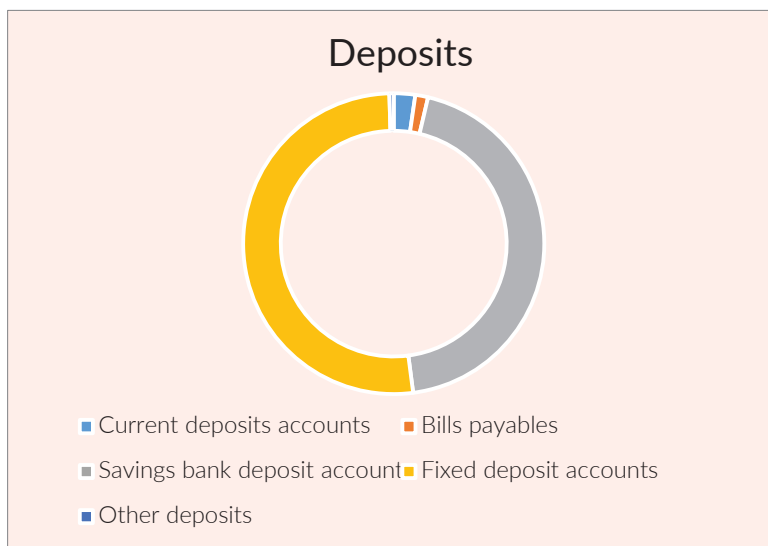
## Investment

The Bank has raised investment to BDT 1,752.81million consisting of investment in Govt. Securities BDT 1,197.81 million and Other Investment BDT 554.99 million.



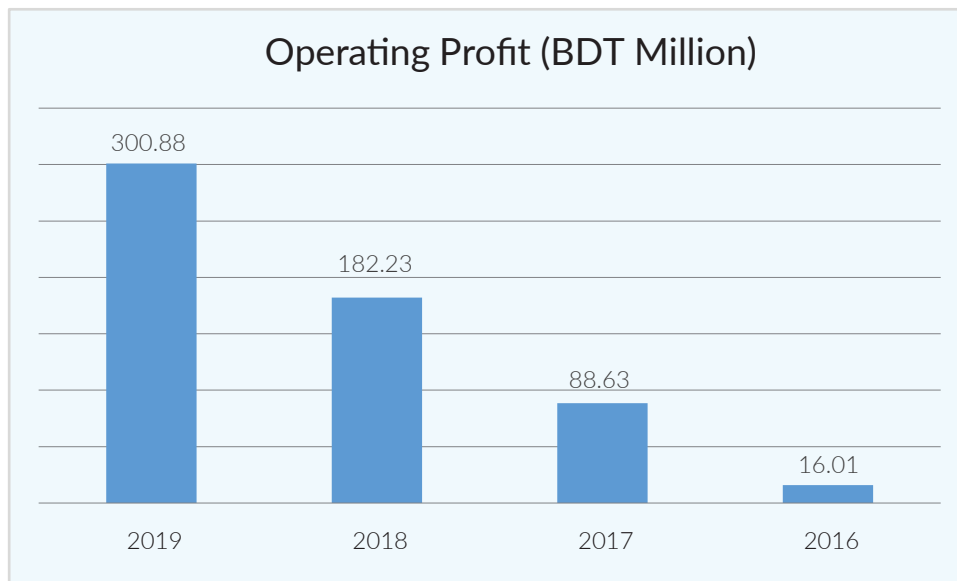
## Deposit

The total deposit of Shimanto Bank stood to BDT 10,113.83 million comprising of BDT 5,218.67 million fixed deposit, BDT 4,477.15 million savings deposit, BDT 232.84 million current deposit, BDT 138.47 million bills payable and BDT 46.70 million other deposit.



### Income & Expenditure

The Bank earned interest income of BDT 1071.47 million whereas the interest paid on deposits and borrowings is BDT 411.49 million. The Bank has generated operating income of BDT 742.69 million and incurred operating expense of BDT 441.81 million. The Bank has booked an operating profit of BDT 300.88 million before provisions in the year 2019.



### Capital Adequacy

The capital base of the Bank is our utmost strength. We commenced our business with a paid-up capital of BDT 4,000 million.

The Tier-1 (Core Capital) capital and Tier-2 (Supplementary Capital) capital of the bank as per BASEL III Capital Accord is as follows:

Tier- 1 Capital		Tier-2 Capital	
Particulars	BDT Million	Particulars	BDT Million
Paid up capital	4,000.00	General Provision	77.83
Retained earnings	165.42	Securities Revaluation Reserve	0.96
Statutory reserve	101.31		
<b>Total</b>	<b>4,266.73</b>	<b>Total</b>	<b>78.78</b>

The Capital to Risk Weighted Assets Ratio (CRAR) stood at 52.96% as on December 31, 2019 as against the minimum CRAR of 11.25%.



### **Innovation & Market Development**

Innovation is our key instrument for developing and structuring the market. The Bank is investing cautiously on the development of innovative infrastructure for reaching the banking services to the fingers of the customers. The Banks' all-out effort is to develop different channels of distribution ensuring the best user experience.

### **Branch Network Expansion**

In the end of the year 2019 the number branches has been raised to seventeen. During the year we have added four branches at Uttara, Hazaribag, Pragpur, Khulna.

### **Appropriate Accounting Policies and Standards and Financial Reporting Standards**

Shimanto Bank Ltd maintained proper books of account for its financial transactions occurred during 2019. For recording the transactions the bank has followed the Bangladesh Accounting Standard (BAS). The books of account have also been reviewed by the external auditor, Hoda Vasi Chowdhury & Co Chartered Accountants with an opinion that proper books of accounts as required by the law have been properly maintained.

Appropriate accounting policies have been consistently applied, except for the changes disclosed in the financial statements in preparation of financial statements and that the accounting estimates are based on reasonable and prudent judgment. Bank records financial transaction on accrual basis with required disclosures and also prepares the financial statements accordingly.

International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as applicable in Bangladesh, have been followed in preparation of financial statements. However, in case the requirement of provisions and Circulars issued by Bangladesh Bank differs with those of other regulatory authorities and accounting standards, the provisions and Circulars issued by Bangladesh Bank shall prevail.

### **Statement of Directors' Responsibility to Establish Appropriate System of Internal Control**

The Directors acknowledge their overall responsibility for the Bank's systems of internal control for establishing efficiency, effectiveness, reliability, timeliness, completeness and compliance with the applicable laws and regulations. This process ensures that a system of internal control in accordance with best financial reporting practice was in place throughout the year 2019. It also involved an assessment of the ongoing process for the identification, evaluation and management of individual risks and of the role of the various committees and bank's risk management functions.

### **Statement of Directors' on Adequacy of the System of Internal Control**

The Directors confirm that the Board through its committees has reviewed the effectiveness of the bank's systems of internal control for the year ended 31 December 2019.

The Board through the audit committee has supervised the policies and various parts of businesses to ensure an effective internal control system. The Board business strategy, significant policies for internal control system and risk management have been taken properly and internal audit and control has been accomplished as per requirement of the Bank Company (amended) Act 2013, Bangladesh Bank guidelines, Corporate Governance guidelines of Bangladesh Securities and Exchange Commission etc.

### **Director's Declaration on Going Concern**

After reviewing the Bank's present and potential business growth, annual budget, performance, liquidity position, plans and financing arrangement, the Directors of the Bank are satisfied that the Bank has adequate resources to continue to operate in the foreseeable future and confirm that there is no material issue threatening to the going concern of the Bank. For this reason Directors continue to adopt the going concern basis in preparing the financial statements. There are no significant doubts upon the Bank's ability to continue as a going concern.



### Appropriation of Profit

Profit after Tax stood at BDT 176.89 million in the year ended on 31 December 2019. The profit available for distribution was BDT 119.04 million after a mandatory transfer of BDT 57.85 million to statutory reserve in 2019. The Profit after Tax stood at BDT 71.72 million in the year ended on 31 December 2018. The profit available for distribution was BDT 44.18 million after a mandatory transfer of BDT 27.53 million to statutory reserve in 2018.

The accumulated Retained Earnings of Shimanto Bank Ltd stood at BDT 165.42 at end of the year 2019.

Bangladesh Bank had instructed the Bank to raise the Paid up Capital upto BDT 5,000 million from BDT 4,000 million within two years (i.e. by 2022) from own source of the sponsors. Bangladesh Bank had barred to distribute Cash Dividend till the raise of capital being accomplished. Due to restriction, the Bank couldn't pay cash dividend for the year 2018. Considering the requirement of raise of paid up capital the Board had recommended to distribute an amount of BDT 160.00 million as Stock Dividend/Bonus Share to the shareholders.

### Appointment of Statutory Auditor

M/S Hoda Vasi Chowdhury & Co. Chartered Accountants was appointed as statutory Auditor as per Article 158 of Articles of association of the Bank in the 3rd Annual General Meeting. They had conducted the statutory audit of Shimanto Bank Ltd for the year ended on December 31, 2019 and submitted the Audit Report and Audited Financial Statements to the Shareholders in this general meeting. As per provision of Bangladesh Bank Circular, they are eligible for re-appointment. The Board of Directors in their 36th Meeting recommended to re-appoint M/S Hoda Vasi Chowdhury & Co Chartered Accountants as external auditors of the Bank up to the 5th Annual General Meeting.

### Retirement & Re-election of Directors

According to Clause 114 of Articles of Association of the Bank one third of the Directors shall retire from office in the Annual General Meeting on the basis of seniority since last election.

The Directors of the Bank will retire on this 4th AGM as per recommendation by the Board of Directors. They are interested for being re-elected and the Board has recommended for retirement and re-election therefore.

1. Major General Md Shafeenul Islam, BGBM (BAR), ndc, psc
2. Brig Gen Abu Taher Muhammad Ibrahim, ndc
3. Brig Gen Md Towhidul Islam, PBGM, afwc, psc
4. Colonel Md Rashidul Alam

Moreover, The Board has appointed to fill casual vacancy and also added few members in the Board as per Clause 111 of Articles of Association. As per the provision the Directors so appointed shall hold their office until the next following Annual General Meeting but shall be eligible for re-election. The following directors will retire on this 4th AGM and being eligible for re-election they offered themselves for being re-elected. The Board has acknowledged their interest of being re-elected and also recommended for re-election in the 4th Annual General Meeting.

1. Brig Gen Khondakar Shahidul Ghani, MPH
2. Brig Gen Benazir Ahmed, afwc, psc
3. Colonel Abu Sayed Al Masud, PGBMS, psc
4. Colonel Md. Mahfuzer Rahman, PBGM, psc, PEng, MSc
5. Colonel A M M Khairul Kabir, psc



Furthermore, the Board has recommended to retire the following individuals as member of the Board in this 4th Annual General Meeting:

1. Brig Gen Khondoker Farid Hassan, BGBM, PBGM (BAR), ndc
2. Brig Gen Md Moazzem Hossain, BGBM, PhD

### Acknowledgement & Gratitude

The Bank has gained the trust and confidence of its shareholders, customers and other stakeholders within the short span of its commercial operation. This achievement is primarily attributed to its practice of good governance framework, sound and prudent policy framework, efficient teamwork, prompt and prudent decision-making, efficient and cordial services, maximum utilization of resources, new demand-driven innovative products and services and modern infrastructure of technologies it established. The continued endeavors of the Management and Staff of the Bank under wise counsel and support of the Board of Directors have substantially contributed to the journey of success of the Bank. The Board take this opportunity of expressing its heart-felt appreciation and gratitude to the Government of the People's Republic of Bangladesh, Bangladesh Bank, Bangladesh Securities & Exchange Commission, Registrar of Joint Stock Companies and Firms and National Board of Revenue (NBR) for their cooperation, valuable guidance and advices provided to the Bank from time to time.

The Board of Directors also expresses heartiest appreciation to the Management and all staff for their dedicated and efficient services and also to the clients, sponsors, shareholders, stakeholders, patrons and well-wishers, whose continued support and patronage have facilitated our journey to success.

On behalf of the Board of Directors

**Major General Md Shafeenul Islam, BGBM (BAR), ndc, psc**  
Chairman, Board of Directors  
Shimanto Bank Ltd  
28 May, 2020

# AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors of Shimanto Bank Ltd was formed in accordance with the Corporate Governance Guideline issued by Bangladesh Securities and Exchange Commission (BSEC) and BRPD Circular No.11 dated 27 October 2013 issued by Bangladesh Bank. The Audit Committee had been revised once during the financial year 2019.

The Audit Committee is responsible for providing independent oversight of the Bank's financial reporting, non-financial corporate disclosures, internal control system and compliance to governing rules and regulations and own code of business conduct.

## Formation & Composition of the Committee

The Audit Committee of the Board has been revised in the 33rd Board Meeting held on November 05, 2019. Brig Gen Khondoker Farid Hassan, PBGM (BAR), ndc has been appointed as the Chairman of the Audit Committee. The Audit Committee is consisting of skilled and efficient Board Members and the present Committee comprised the following members:

Name	Educational Qualification	Board Designation	Committee Designation
Brig Gen Khondoker Farid Hassan, BGBM, PBGM (BAR), ndc	MA, MDS	Director	Chairman
Brig Gen Md Towhidul Islam, PBGM,afwc, psc	BSc, MDS, MBA	Director	Member

Mr. Mohammad Mostafa Hossain Suman ACS is the Secretary of the Audit Committee.

## Roles & Responsibilities of the Committee:

The roles and responsibilities of Audit Committee of Shimanto Bank is defined by the Board of Directors complying with the BRPD Circular No 11 and Corporate Governance Guideline issued by Bangladesh Securities & Exchange Commission (BSEC). The terms of reference also adopts the best practice on corporate governance guidelines and standards. The roles and responsibilities of the Committee are highlighted below:



**Internal Control:**

- Evaluate whether management is setting the appropriate compliance culture by communicating the importance of internal control and the management of risk and ensuring that all employees have clear understanding of their roles and responsibilities;
- Review management's actions in building computerization of the bank and its applications and bank's Management Information System (MIS);
- Consider whether internal control strategies recommended by internal and external auditors have been implemented by the management;
- Consider reports relating to fraud, forgery, deficiencies in internal control or other similar issues detected by internal and external auditors and inspectors of the regulatory authority and place it before the board after reviewing whether necessary corrective measures have been taken by the management.

**Financial Reporting:**

- Audit committee will check whether the financial statements reflect the complete and concrete information and determine whether the statements are prepared according to existing rules & regulations and standards enforced in the country and as per relevant prescribed accounting standards set by Bangladesh Bank;
- Discuss with management and the external auditors to review the financial statements before its finalization.

**Internal Audit:**

- Audit committee will monitor whether internal audit working independently from the management.
- Review the activities of the internal audit and the organizational structure and ensure that no unjustified restriction or limitation hinders the internal audit process;
- Examine the efficiency and effectiveness of internal audit function;
- Examine whether the findings and recommendations made by the internal auditors are duly considered by the management or not.

**External Audit**

- Review the performance of the external auditors and their audit reports;
- Examine whether the findings and recommendations made by the external auditors are duly considered by the management or not.
- Make recommendations to the board regarding the appointment of the external auditors.

**Compliance with existing laws and Regulations:**

Review whether the laws and regulations framed by the regulatory authorities (central bank and other bodies) and internal regulations approved by the board are being complied with.

**Other Responsibilities:**

- Submit compliance report to the board on quarterly basis on regularization of the omission, fraud and forgeries and other irregularities detected by the internal and external auditors and inspectors of regulatory authorities;
- External and internal auditors will submit their related assessment report, if the committee solicit;
- Perform other oversight functions as desired by the Board of Directors and evaluate the committee's own performance on a regular basis.

**Meetings & Attendance of the Audit Committee:**

The Audit Committee met in five meetings during the year 2019 and the Committee had discussed in details the findings on different issues and corrective measures prescribed by the internal and external auditors. The Committee also instructed the management to ensure those suggestions for corrective measures and monitored accordingly.

**The Meetings were held in following dates:**

Meeting	Date
8 <sup>th</sup> Audit Committee Meeting	10 <sup>th</sup> March 2019
9 <sup>th</sup> Audit Committee Meeting	19 <sup>th</sup> June 2019
10 <sup>th</sup> Audit Committee Meeting	18 <sup>th</sup> September 2019
11 <sup>th</sup> Audit Committee Meeting	11 <sup>th</sup> November 2019
12 <sup>th</sup> Audit Committee Meeting	22 <sup>nd</sup> December 2019

**Attendance in the Audit Committee Meeting during the Year 2018 is as follows:**

Name	Attendance	Tenure of Office
Brig Gen Khondoker Farid Hassan, BGBM, PBGM (BAR), ndc	05/05	12/09/2018 to Report Publication Date
Brig Gen Md Towhidul Islam, PBGB, afwc, psc	05/05	12/09/2018 to Report Publication Date
Colonel Ahmed Zamiul Islam, afwc, psc	03/05	12/09/2018 to 07/10/2019

**Area Focused & Agenda Discussed in 2018****8<sup>th</sup> Audit Committee Meeting:**

- Reviewed the Compliance Status of 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> Audit Committee Recommendations
- Examined the Audited Financial Statements for the Year Ended on 31<sup>st</sup> December, 2018
- Evaluated the Financial Performance of the Bank as on 31<sup>st</sup> January 2019
- Reviewed the Bangladesh Bank Inspection Report on Head Office as on 31-12-2017
- Examined the Bangladesh Bank Inspection Report on AML/CFT System Check on Head Office as on 30-06-2018
- Reviewed Bangladesh Bank Inspection Report on Internal Control & Compliance as on 30-06-2018
- Reviewed Bangladesh Bank Inspection Report on Agrabad Branch
- Review of 2<sup>nd</sup> Internal Audit Report of Information Technology Department as on 31-12-2018
- Review of 2<sup>nd</sup> Internal Audit on Cards & ADCs as on 31-12-2018
- Review of 2<sup>nd</sup> Internal Audit Report on Agrabad Branches as on 31-12-2018
- Review of 1<sup>st</sup> Internal audit Report on Cox's Bazar Branches as on 31-12-2018
- Examined the Credit Approval Exceptions from 1<sup>st</sup> November 2018 to 28<sup>th</sup> February 2019



#### **9<sup>th</sup> Audit Committee Meeting:**

- Evaluated and Recommended the Appointment of External Auditors for the year ending on 31 December, 2019
- Considered the Statement of Audit Committee for publishing in Annual Report-2018
- Reviewed the Compliance Status of the 8th Audit committee Recommendations
- Evaluated the Audit Status as per Audit Plan-2019
- Review of Internal Audit report on Principal Branch
- Review of Internal Audit report on Mymensing Branch
- Examined the Dormant account Status and Reviewed the Proposed Restricted Account Maintenance process
- Evaluated the Branding Activities in 2018 and Estimated Activities in 2019

#### **10<sup>th</sup> Audit Committee Meeting:**

- Evaluated Summary Report of Internal Audit Findings in 2018
- Reviewed the Bangladesh Bank Comprehensive Inspection Report on Agrabad Branch as on 31-12-2018
- Reviewed the Bangladesh Bank Comprehensive Inspection Report on Satkania Branch as on 31-12-2018
- Reviewed the Bangladesh Bank Comprehensive Inspection Report on Mymensing Branch as on 31-12-2018
- Reviewed the Bangladesh Bank Comprehensive Inspection Report on Asset Liability Management as on 30-06-2018
- Reviewed the Bangladesh Bank Comprehensive Inspection Report on Credit Risk Management as on 30-06-2018
- Reviewed the Bangladesh Bank Comprehensive Inspection Report on ICT Management as on 30-06-2018
- Examined the Internal Audit Report on Treasury Department
- Reviewed the Internal Audit Report on Brand & Communication Department
- Examined the Internal Audit Report on Foreign Exchange Transaction & Monitoring
- Reviewed the Internal Audit Report on Credit Risk Management Department & CAD
- Examined the Internal Audit Report on Service Delivery
- Reviewed the Internal Audit Report on Finance Division
- Examined the Internal Audit Report on Anti-Money Laundering
- Reviewed the Internal Audit Report on Satkania Branch
- Examined the Internal Audit Report on BibirBazra Branch
- Reviewed the Internal Audit Report on Teknaf Branch
- Reviewed the Update on Audit Policy
- Reviewed and Examined the Findings & Recommendations of ACNABIN Chartered Accountants



**11<sup>th</sup> Audit Committee Meeting:**

- Review Bangladesh Bank Comprehensive Inspection Report on Principal Branch as on 31-12-2018
- Review Bangladesh Bank letter received from DBI-1 regarding Head Office Inspection as of 31-12-2018
- Review Shimanto Bank Annual Health Report-2018
- Reviewed the Internal Audit Report on Benapole Branch
- Checked the Internal Audit Report on Motijheel Branch
- Reviewed the Internal Audit Report on Sylhet Branch
- Checked the Surprise Inspection Report on Mymensing Branch
- Reviewed the Surprise Inspection Report on Champaknagar Branch
- Approve Annual Audit Plan-2020
- Review Unaudited Financial Statements for the Period Ended on 30th September 2019

**12<sup>th</sup> Audit Committee Meeting:**

- Examined the Surprise Inspection Reports on Mymensing Branch
- Reviewed the Surprise Inspection Reports on Champaknagar Branch
- Approved the Annual Audit Plan-2020
- Reviewed the Activities of ICCD

Audit Committee acknowledges the splendid support of Members of the Board, Management, Finance and Internal & External Auditors from their respective work arena to make Shimanto Bank as a compliant one.

On behalf of the Audit Committee,



**Brig Gen Khondoker Farid Hassan, BGBM, PBGM (BAR), ndc**  
Chairman, Audit Committee  
Shimanto Bank Ltd  
28 May, 2020



# RISK MANAGEMENT COMMITTEE REPORT

Shimanto Bank Ltd carries a wide range of risks across all of its business areas and the Bank's pursuit is to manage the risks identified. The risks faced by the Bank are mainly credit risks, foreign exchange risks, internal control and compliance risks, money laundering risks, information and communication risks, management risks, interest risks, liquidity risks. The Bank is developing framework of identification, assessment and management of the risks. According to the Bangladesh Bank Guideline the Bank should have a Risk Management Committee and the Committee will scrutinize whether appropriate risk management measures are being put in place and applied and whether adequate capital and provision is being maintained against the risks identified.

## Formation & Composition of the Committee

The Risk Management Committee has been revised by the Board of Directors in the 33rd Board Meeting held on November 05, 2019. The Committee is consisting of three Members headed by Brig Gen Md Towhidul Islam, PBGM, afwc, psc.

The Committee has been consisted of skilled and efficient Board Members and the present Committee comprised the following members:

Name	Educational Qualification	Board Designation	Committee Designation
Brig Gen Md Towhidul Islam, PBGM, afwc, psc	BSc, MDS, MBA	Director	Chairman
Colonel Md Rashidul Alam	BA, MBA	Director	Member
Colonel Md. Mahfuzer Rahman, PBGM, psc, PEng, MSc	MDS, MSc	Director	Member

Mr. Mohammad Mostafa Hossain Suman ACS is acting as the Secretary of the Committee.

## Roles and Responsibilities of the Risk Management Committee:

### 1. Risk identification & control policy:

Formulation and implementation of appropriate strategies for risk assessment and its control is the responsibility of Risk Management Committee. Risk Management Committee will monitor risk management policies & methods and amend it if necessary. The committee will review the risk management process to ensure effective prevention and control measures.

**2. Construction of organizational structure:**

The responsibility of Risk Management Committee is to ensure an adequate organizational structure for managing risk within the bank. The Risk Management Committee will supervise formation of separate management level committees and monitor their activities for the compliance of instructions of lending risk, foreign exchange transaction risk, internal control & compliance risk, money laundering risk, information & communication risk including other risk related guidelines.

**3. Analysis and approval of Risk Management policy:**

Risk management policies & guidelines of the bank should be reviewed annually by the committee. The committee will propose amendments if necessary and send it to the Board of Directors for their approval. Besides, other limits including lending limit should be reviewed at least once annually and should be amended, if necessary.

**4. Storage of data & Reporting system:**

Adequate record keeping & reporting system developed by the bank management will be approved by the risk management committee. The committee will ensure proper use of the system. The committee will minute its proposal, suggestions & summary in a specific format & inform the Board of Directors.

**5. Monitoring the implementation of overall Risk Management Policy:**

Risk Management Committee will monitor proper implementation of overall risk management policies. They will monitor whether proper steps have been taken to mitigate all risks including lending risk, market risk, and management risk.

**6. Other Responsibilities:**

Committee's decision and suggestions should be submitted to the Board of Directors quarterly in short form;

Comply instructions issued time to time by the controlling body;

Internal & external auditor will submit respective evaluation report whenever required by the committee.

The Risk Management Committee acknowledges the splendid support of Members of the Board, Management, Risk Management Team of the Bank for their support and cooperation while performing its duties and responsibilities.

**Meetings of the Risk Management Committee**

The Risk Management Committee of the Bank met in four meetings in the year 2019 and had discussed in details the findings on different risk issues and protective measures. The Committee also instructed the management to ensure mitigation and minimization of risks associated in operation of the Bank.

Meeting	Date
6 <sup>th</sup> Risk Management Committee Meeting	March 21, 2019
7 <sup>th</sup> Risk Management Committee Meeting	June 18, 2019
8 <sup>th</sup> Risk Management Committee Meeting	December 03, 2019
9 <sup>th</sup> Risk Management Committee Meeting	December 29, 2019

**Area Focused & Agenda Discussed in 2019****6<sup>th</sup> Risk Management Committee Meeting:**

- Risk Management Overview on Loan & Advance Portfolio
- Anti-Money Laundering (AML) System Check Report by Bangladesh Bank

**7<sup>th</sup> Risk Management Committee Meeting:**

- Statement of Risk Management Committee for publishing in Annual Report-2018
- Present Status of Credit Portfolio as on May 31, 2019
- 'CAMELS Rating' of Shimanto Bank Limited as on December 31, 2018 done by Bangladesh Bank
- Compliance Status of Core Risk Audit Reports as on June 30, 2018 done by Bangladesh Bank



**8<sup>th</sup> Risk Management Committee Meeting:**

- Discussion on Regulatory Framework and Shimanto Bank (SMBL) Framework for Mitigating Risks
- Credit Risk
- Internal Control & Compliance Risk
- Anti-Money Laundering Risk
- Foreign Exchange Risk
- Asset Liability Management Risk
- Information Technology Risk
- 'CAMELS Rating' of Shimanto Bank Limited as on June 30, 2019 done by Bangladesh Bank
- 'Comprehensive Risk Management Rating' done by Bangladesh Bank and Response by the Management of Shimanto Bank as on December 31, 2018

**9<sup>th</sup> Risk Management Committee Meeting:**

- Suggestions Laid Out by Bangladesh Bank through 'Diagnostic Review Report' Based on Audited Financial Statements of Shimanto Bank Ltd as of December 31, 2018
- Credit Rating of Shimanto Bank Ltd: Credit Rating Information and Services Ltd (CRISL) as on December 15, 2019
- Credit Rating of Shimanto Bank Ltd: Credit Rating Agency of Bangladesh Ltd (CRAB) as on August 01, 2019
- Phase-in Capital Plan of Shimanto Bank Ltd Based on Internal Capital Adequacy Assessment Process (ICAAP) Report for the Year 2017
- Result of Quarterly Stress Testing Report of Shimanto Bank Ltd for September 2019 Quarter

Attendance in the Risk Management Committee Meeting during the Year 2019 is as follows:

Name	Attendance	Tenure of Office
Colonel M Raquibul Haq, psc	02/04	11/04/2018 to 28/08/2019
Brig Gen AFM Jahangir Alam, ndc, psc	02/04	12/09/2018 to 07/10/2019
Colonel Muhammad Matiur Rahman, BGBM, PBGM, psc	01/04	12/09/2018 to 24/04/2019
Brig Gen Md Towhidul Islam, PBGM, afwc, psc	02/04	05/11/ 2019 to Report Publication Date
Colonel Md Rashidul Alam	02/04	05/11/ 2019 to Report Publication Date
Colonel Md. Mahfuzur Rahman, PBGM, psc, PEng, MSC	02/04	05/11/ 2019 to Report Publication Date

**Risk Management Organogram**

The Bank has formed a separate Division named 'Risk Management Division (RMD)' as prescribed by Bangladesh Bank was formed. The Risk Management Division (RMD) was approved by the Board of Directors including the organogram and terms of reference of the division.

On behalf of the Committee,

**Brig Gen Md Towhidul Islam, PBGM, afwc, psc**  
Chairman, Risk Management Committee  
Shimanto Bank Ltd  
28 May, 2020

# CORPORATE GOVERNANCE REPORT

Shimanto Bank Ltd has started its' journey to achieve the goals prudently by establishing principles of corporate governance in day to day operation of the bank. Corporate governance comprises the set of rules and practices by which the Board of Directors and Management ensures transparency and accountability in the company's relationship with all of its valued stakeholders. The objective is to safeguard stakeholders' interest on a sustainable basis while enhancing shareholders value. Good corporate governance reduces risk, stimulates performance, improves access to capital markets, enhances the marketability of goods and services, improves leadership, demonstrates transparency and social accountability.

We are committed to running the Bank compliance with the highest standards of corporate governance. We are expecting to review our governance arrangements as well as developments in the market practices, expectations and regulation to establish good corporate governance in our Bank.

## Governance Legal Framework

Shimanto Bank Ltd operates within the legal framework of the Companies Act-1994 and as a banking company, complies with the provisions of the Bank Company (Amendment) Act-2013. It also complies with the directives and guidelines issued from time to time by Bangladesh Bank and Bangladesh Securities and Exchange Commission.

Corporate Governance is the system by which companies are directed and controlled to the best interest of the stakeholders, therefore, highly regarded as a mechanism to resolve the 'Agency Problem'. Agency problem refers to the conflict of interest between management and shareholders, i.e. managers (Agent) may not act in the best interest of shareholders (Principal).

The governance principles of the Bank serve the goal of strengthening and consolidating company position with sustained growth objectives in materializing the trust placed in the company by the shareholders, clients, employees and the general public. Fair practice, accountability, transparency, compliance, value creation and corporate social responsibility are the pillars of our corporate governance.

The internal policies are Credit Risk Management Policy, Asset Liability Management Policy, Procurement & Logistics Support Policy, Media Communication Policy, Deposit Policy, Business Continuity Policy, Know Your Customer (KYC) Policy, Customer Acceptance Policy, Investment & Treasury Management Policy, Human Resource Policy, Information and Communication Technology (ICT) Policy, Internal Control & Compliance Policy, Money Laundering & Terrorist Finance Risk Management Policy etc which are formulated in line with the guidelines of the central bank and approved by the Board of Directors.



## Stakeholders

The Stakeholders of the Bank are individuals or groups that have an interest, claim or stake in the Company, in what we do and in how well we perform. All the Stakeholders are in an exchange relationship with us. Each of them supplies us with important resources and in exchange each expects that its interest is satisfied. The significant stakeholders are the Shareholders, the Board, the Board Committees, Bank Management, Regulatory Authorities, Independent External Auditors, Customers and the Employees.

## Shareholding Structure

As on 31 December 2019 BGB Welfare Trust has been holding 39,99,99,991 shares as institutional shareholder whereas Nine individual members who are also serving as the Directors of the Board has been holding 9 shares in the Bank.

Sl.	Name of Shareholder	No of Shares Held	Percentage (%) of Share
1	BGB Welfare Trust	39,99,99,991	99.999998
2	Others	9	0.000002

Ownership of Company's Securities by the Members of Board of Directors as on 31 December 2019 are as follows:

Sl.	Name of Shareholder	No of Share
01.	Major General Md Shafeenul Islam, ndc, psc	01
02.	Brig Gen Khondakar Shahidul Ghani, MPH	01
03.	Brig Gen Abu Taher Muhammad Ibrahim, ndc	01
04.	Brig Gen Khondoker Farid Hassan, PBGM (BAR), ndc	01
05.	Brig Gen Moazzem Hossain, BGBM, PhD	01
06.	Brig Gen Md Towhidul Islam, PBGM,afwc, psc	01
07.	Colonel Md Rashidul Alam	01
08.	Col Abu Sayed Al Masud, PGBMS, psc	01
09.	Col Md. Mahfuzer Rahman, PBGM,psc, PEng, MSc	
	<b>Total</b>	<b>09</b>

## Shareholding by Executives:

Name of Executives	No of Share
Managing Director & Chief Executive Officer	Nil
Company Secretary (Acting)	Nil
Head/In Charge of Finance	Nil
Head/In Charge of Internal Control & Compliance	Nil
Spouses and Minor children of above Executives	Nil

The shareholding by other senior executives is also nil.

The Annual Returns regarding shareholding structure as well as the registering the share transfer instrument as prescribed by the Companies Act-1994 has been submitted duly to the Joint Stock Companies & Firms.



### Policy on Appointment of Directors

Directors are appointed following relevant provision/clause of Companies Act 1994, Bank Company Act 1991 (amended up to 2013), Corporate Governance Guidelines of BSEC and Bangladesh Bank, and Articles of Association of the Bank. The Board consists of top brasses of Border Guard Bangladesh who have diversified professional experience in military operations, government projects, foreign missions and businesses entities of Trusts. Their rich and diverse professional backgrounds have given the Board a vantage point in directing and monitoring the Bank to achieve its desired mission and vision. All the Non-Executive Directors are nominated by the BGB Welfare Trust and each Director is holding qualification share of BDT 10 (Taka ten) only ordinary share in the Bank in their own name. The Chairman is representing the all of the shares of BGB Welfare Trust.

### Appointment, Rotation and Retirement of Directors

In the 3rd Annual General Meeting of the Bank, two senior most Directors were retired and re-elected in the same general meeting. Five other Directors were retired (who had been appointed in between the AGM to fill up casual vacancy). Two individuals were elected afresh in the AGM. The said re-elected and elected individuals has been appointed as the Director of the Board with prior approval from Bangladesh Bank.

### Board Meeting and Attendance

The Board of Directors of the Shimanto Bank sit in 08 (Eight) meetings during the year 2018 and the attendance of the directors is presented in the following table:

Sl.	Name of Shareholder	Attendance	Leave	Remarks
01	Maj Gen Md Shafeenul Islam, BGBM (BAR), ndc, psc	08	Nil	
02	Brig Gen AFM Jahangir Alam, ndc, psc	07	Nil	Resigned from the Board on 07/10/2019
03	Brig Gen AQM Shamsul Haque, SGP, MCPS, MPH, MPhil	05	01	Resigned from the Board on 28/08/2019
04	Brig Gen Khondakar Shahidul Ghani, MPH	01	Nil	
05	Brig Gen Abu Taher Muhammad Ibrahim, ndc	04	Nil	
06	Brig Gen Md. Mahbub-ul Alam, afwc, psc	01	02	Resigned from the Board on 24/04/2019
07	Brig Gen Khondoker Farid Hassan, BGBM, PBGM (BAR), ndc	08	Nil	
08	Brig Gen Md Sazzad Hossain, ndc, psc	01	02	Resigned from the Board on 24/04/2019
09	Brig Gen A S M Anisul Haque, SGP, BGBM, psc	Nil	03	Resigned from the Board on 24/04/2019
10	Brig Gen Moazzem Hossain, BGBM, PhD	Nil	Nil	
11	Brig Gen Md Towhidul Islam, PBGM, afwc, psc	08	Nil	
12	Colonel M Raquibul Haq, psc	04	02	Resigned from the Board on 28/08/2019
13	Colonel Md Rashidul Alam	04	Nil	
14	Colonel Muhammad Matiur Rahman, BGBM, PBGM, psc	02	01	Resigned from the Board on 24/04/2019
15	Colonel Ahmed Zamiul Islam, afwc, psc	07	Nil	Resigned from the Board on 07/10/2019
16	Colonel Md Sharif Hossain, psc	01	02	Resigned from the Board on 24/04/2019
17	Col Abu Sayed Al Masud, PGBMS, psc	01	Nil	
18	Col Md. Mahfuzur Rahman, PBGM, psc, PEng, MSc	Nil	Nil	



### **Remuneration of Directors**

The Directors do not receive any type of remuneration and incentive. They are only paid Board meeting attendance fees, and other Board's Committee meetings as per Articles of Association of the Bank and within the guidelines of Bangladesh Bank. Information regarding expenses relating to Directors is separately disclosed in the financial statements. At the end of 2019, Shimanto Bank Ltd had 9 (Nine) members in its Board of Directors. As per Bangladesh Bank's BRPD circular no. 11 dated 04 October 2015, the members of Board of Directors (excluding Managing Director) received maximum BDT 8,000.00 (Eight thousand) as honorarium for attending in a meeting. In the year 2019, total honorarium was BDT 0.65 million which was BDT 0.66 million in 2018.

### **Separation of Chairman and Chief Executive Officer Roles**

As per the requirements of Bangladesh Bank BRPD Circular No. 11 and Circular Letter No. 18 dated 27 October 2013 and Clause 1.4 of BSEC CG Guidelines dated 07 August 2012, we report that the Chairman of the Board has been elected from among the Directors and there are clear and defined roles and responsibilities of the Chairman and the Chief Executive Officer.

### **Roles and Responsibilities of the Board of Directors**

The major roles and responsibilities of the Board, among others, are to set the vision, mission and policies of the Bank and to determine the goals, objectives and strategies to ensure efficient utilization of the Bank's resources. The Board of Directors are performing their roles and responsibilities in compliance with Bangladesh Bank BRPD Circular No. 11 dated 27 October 2013.

### **Responsibilities of the Chairman**

The Chairman of the Bank has been delivering his rules and responsibilities as per BRPD Circular No. 11 dated 27 October 2013 issued by Bangladesh Bank and Corporate Governance Notification issued by BSEC on 07 August 2012.

### **Appraisal of Board Members**

The Board of Directors of Shimanto Bank Ltd is guided by the corporate governance principles as well as the terms of reference prescribed by the regulators of the country. The Bank appraises the performance of members of the Board on the basis of aforesaid principles. Above all, an evaluation of the Board has been taken place through the Annual General Meeting (AGM) with the direct participation of the shareholders of the Bank.

### **Appointment, Roles and Responsibilities of Managing Director & CEO**

Managing Director & CEO of the Bank is appointed with due approval from Bangladesh Bank. The Board of Directors of the Bank clearly defines and approves the roles, responsibilities and duties of the Managing Director & Chief Executive Officer (CEO) complying with the Bangladesh Bank BRPD Circular Letter No. 18 dated 27 October 2013 issued by Bangladesh Bank and Corporate Governance Notification issued by BSEC on 07 August 2012. The Board has delegated appropriate financial and business power to the Managing Director & CEO. In order to have proper functioning and quick disposal of credit proposal, Board has delegated required authority to the Management to approve proposal within certain limit and take various necessary decision. The delegation supports the operation of the Bank in a positive manner.

### **Remuneration of Managing Director & CEO**

The remuneration package of the Managing Director & CEO is determined by the Board and is subsequently approved by Bangladesh Bank. The Managing Director & CEO has been appointed on a contractual basis and his remuneration is also disclosed separately in the financial statements.

### **Appointment of HoF, Head of ICC and CS**

The role of Head/In Charge of Finance, Head of Internal Control & Compliance and Company Secretary are completely distinctive and the Bank appointed and assigned separate individuals for the respective positions as per the policy of the Bank and other regulatory laws and regulations. They are well conversant in the field of financial, regulatory and corporate laws to carry out their assigned responsibilities.

### **Independence of Non-Executive Directors**

The Non-Executive Directors enjoy full freedom in discharging their responsibilities. They attend the Board Meetings and Committee Meetings of which they are members regularly. They participate in the deliberation and discussions effectively. They actively involve in the matter of formulation of general strategies of the Bank. But they do not participate in or interfere into the administrative or operational or routine affairs of the Bank.

### **Board Committees & Their Roles**

The Bank has three Sub-Committees of the Board for ensuring good governance through transparency and accountability in bank management complying with the Bangladesh Bank circular i.e. BRPD Circular No. 11 dated 27 October 2013.

The three Board committees are namely Executive Committee, Audit Committee and Risk Management Committee to oversee and direct the operations, performance and strategic direction of the Bank.

#### **1. Executive Committee (EC)**

In Compliance with Section 15B (2) of Bank Company Act 1991 (amended up to 2013) and BRPD Circular No. 11 dated 27 October 2013, the Board of Directors of the Bank has re-constituted the Executive Committee (EC) of the Board in the 23rd Board Meeting. None of them are the members of Audit Committee of the Board. The Company Secretary acts as the secretary of the committee.

#### **2. Audit Committee (AC)**

The Audit Committee of the Board comprised of three members from the Board who are not member of the Executive Committee. The Audit Committee carries out its functions based on the guidelines of Bangladesh Bank. The Company Secretary acts as the secretary of the committee.

The Committee has been re-constituted by the Board of Directors from time to time to review and oversee independently the company's financial reporting, nonfinancial corporate disclosures, internal control systems and compliance to governing laws, rules and regulations etc. The report of the Audit Committee is provided in the page no. 53 of this Annual Report.

#### **3. Risk Management Committee (RMC)**

In Compliance with BRPD Circular No. 11 dated 27 October 2013, the Board of Directors of the Bank has constituted a three-member Risk Management Committee (RMC) of the Board. The Risk Management Committee has been formed to minimize probable risks arisen during implementation of Board approved policies, procedures and strategies. The RMC is entrusted to examine and review whether management is properly working on identification, management and mitigation of credit risk, foreign exchange risk, internal control and compliance risk, money laundering risk, information and communication technology risk, operation risk, interest rate risk and liquidity risk and keeping adequate provision and capital against the said risks.

The Statement of the Risk Management Committee on appointment, composition, roles and responsibilities of the Committee is furnished in page no. 58 of this Annual Report.





## Management Committees & Their Responsibilities

In Corporate Governance framework, the Bank management has a collective effort and objective under the leadership of Managing Director & CEO for carrying out daily operations to the best interest of the shareholders and other stakeholders. The Shimanto Bank has some designated committees who are entrusted with specific objectives.

### 1. The Management Committee (MANCOM)

MANCOM of Shimanto Bank is consisting of the heads of the functional departments and units. It is the highest decision and policy making authority of the management who are responsible for monitoring for effective discharge of management responsibilities. They are also responsible for strategic and tactical decisions relating to business, credit, operations, administration, HR, internal and financial control and compliance etc.

### 2. Credit Risk Management Committee (CRMC)

The Bank has formed the Credit Risk Management Committee (CRMC) in compliance with the Guidelines of the Central Bank. The Committee is responsible for ensuring proper and timely identification, measurement and mitigation of risks exposed related to credit by the Bank.

### 3. Asset Liability Committee (ALCO)

The Asset Liability Committee (ALCO) of Shimanto Bank is dedicated to oversee the asset-liability position, interest rate risk, liquidity risk, investment portfolio composition and compliance with key ALM ratios. ALCO is also engaged in setting strategies and revamping previously taken strategies to cope with current & future market scenario.

### 4. Purchase Committee (PC)

The Purchase Committee (PC) of the Bank consisting members from Administration, HR, Operations, Finance, IT and Communication, plays an instrumental role in the procurement procedure of the Bank. The main objective of this committee is to ensure transparency in procurement activity seeking 'value for money' in each deal made.

### 5. HR Committee

HR Committee of the Shimanto Bank Ltd is consisting of the top executives of the Bank and the committee is entrusted to review and recommend on different issues, agenda whenever require.

### 6. Executive Risk Management Committee (ERMC)

Executive Risk Management Committee (ERMC) of Shimanto Bank Ltd is formed consisting of representatives of different stakeholders and divisions. Objective of the Committee is to promote better risk culture at all levels of the banks, to provide minimum standards for risk management practices, to improve financial soundness of individual banks and stability of the overall financial sector, to encourage banks to adopt and implement a sound risk management framework and to introduce important risk management tools and techniques for assessment and necessary treatment of various risks.

### 7. ICT Risk Management Committee

ICT Risk Management Committee of the Bank is formed and the committee is responsible to govern overall ICT risks and relevant mitigation measures. The committee is to define the Risk Appetite in terms of combinations of frequency and magnitude of a risk to absorb loss e.g., financial loss, reputation damage.

**Approval Process of Related-Party Transactions**

The Bank have disclosed the related party transaction (if any) in its financial statements. Related-Party Transaction is being executed complying with relevant rules and regulations. For making decision of related party transaction, the process is same as applicable to the other stakeholders. Same process of selection is applied to related party. The related party doesn't enjoy any preferred facility or concession from the view point of approval process, rate or cost charged, action taken for any non-compliance etc.

**Code of Conduct & Whistle Blowing Policy**

All the employees of Shimanto Bank Ltd should believe in same ethical standards and therefore, the Bank has a Code of Conduct. By any means, no employee will play a role which is detrimental to the interest of the business, society and the country as a whole as set in the Code of Conduct.

Whistle blowing policy is incorporated in the Code of Conduct to create an environment by promoting a culture at Shimanto Bank Ltd where the honest, dedicated and loyal staff is encouraged and feels confident to reveal and report, without any fear of retaliation, subsequent discrimination and of being disadvantaged in any way, about any fraudulent, immoral, unethical or malicious activity or conduct of employees, which in their opinion may cause financial or reputational loss to the Bank. The policy of the Bank provides assurance to the Whistleblowers about secrecy and protection of their legitimate personal interests.

**Corporate Social Responsibility Activities and Green Banking**

Corporate social responsibility (CSR), in recent times, has become an integral part of business. The contribution of Banks in this regard is of paramount importance considering their unique position in the economy. Shimanto Bank Ltd has a policy to contribute 10% of the net profit of the previous year in CSR activities. The Bank believes that CSR practice not only improves own standard but also affect the socially responsible behaviors of its businesses. Shimanto Bank Ltd maintains a standard CSR practices aligned with the CSR Guideline issued by the Bangladesh Bank. The Bank focuses on education, health, disaster management, socio-economic development, sports etc. in case of CSR implementation. Moreover, Shimanto Bank Ltd has policy on Green Banking and also is practicing Green Banking.



# MANAGEMENT REVIEW & EVALUATION

- |    |  |
|----|--|
| 01 | Retail Banking   |
| 02 | SME Banking  |
| 03 | Corporate Banking                                      |
| 04 | Treasury Management                                    |
| 05 | ADC Infrastructure for Banking                         |
| 06 | Developing Human Resources for Sustainable Development |
| 07 | Corporate Social Responsibility                        |
| 08 | Risk Governance Framework                              |
| 09 | Compliance and Governance Excellence                   |



## 01. RETAIL BANKING

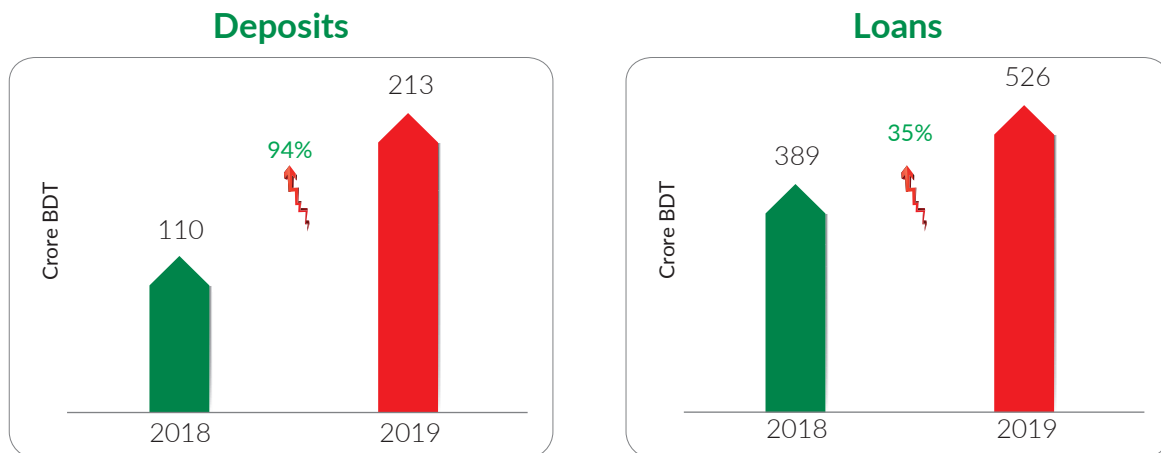
### An Overview

In retail banking, products or services respond differently as market conditions change. Banks are also devoting themselves to undertaking much more sophisticated market research to fine tune the packaging and delivery of investment-related financial products to different income and age groups in different geographic areas. Traditional corporate focused banks have started realizing the future prospect of retail banking and trying to step into this market segment to ensure a balance between their corporate and retail portfolio and maximize the yield of their assets. Historically, cost of deposit in retail market has been lower than other market segment and spread is also higher in this segment which draw the attention of the banks and has pulled them to enter in this segment.

Though it was only our 4<sup>th</sup> year of operation, we have achieved significant growth in our retail portfolio both in terms of assets and liabilities. In addition to boosting our portfolio we have also focused on achieving service excellence through convenient service propositions and delivery channels. SMBL retail banking department is relentlessly working to deliver the retail products and services to the mass customers in safe, secure, prompt and cost effective manner leveraging the latest technology and operational efficiency forming a team of highly skilled professionals. Currently Retail Banking has 17 branches, 3 dedicated information center with more than 40,000 happy customers.

### Retail Banking Performance Highlights-2019:

- ▶ We have opened 4 new branches in 2019 located at Pragpur, Uttara, Hazaribag and Khulna.
- ▶ 2 new ATM booths have been opened in 2019.
- ▶ We have disbursed Home Loan of BDT 15.00 Crore under Show We Can Home Loan Campaign in 2019.



### Challenges Ahead:

- Ensuring Service Quality: Ensuring uniform service quality across all channels through centralized banking process is one of our key challenges ahead.
- Channel Expansion: As branches and delivery channels acts as the primary face of the bank, we need rapid expansion of our branch and delivery networks to increase our visibility in the market.



- Rising competition: With more and more bank focusing in retail market segment it has become very challenging to penetrate the retail market and thus retaining a competitive position in the market.
- New Market Segment: From the beginning we are focusing on rural economy and we truly want to bring the unbanked population of our rural areas specially people living in border areas under our banking services. It needs special attention as well as special arrangements to deliver our services to this unbanked population.
- Fraud: Increase in fraud and dishonest practices especially in relatively new fields of digital banking.

### Retail Banking Goals for 2020:

- To enhance service proposition through ADC and digital platform.
- To expand home loan customer base by launching simplified home loan products and process simplification.
- Continuous process re-engineering to ensure more delightful customer experiences with faster and more personalized services.
- To penetrate the market more effectively and increase the customer base.
- To become a brand of choice for the customers.
- Enhance customer value proposition through technology-led innovation.



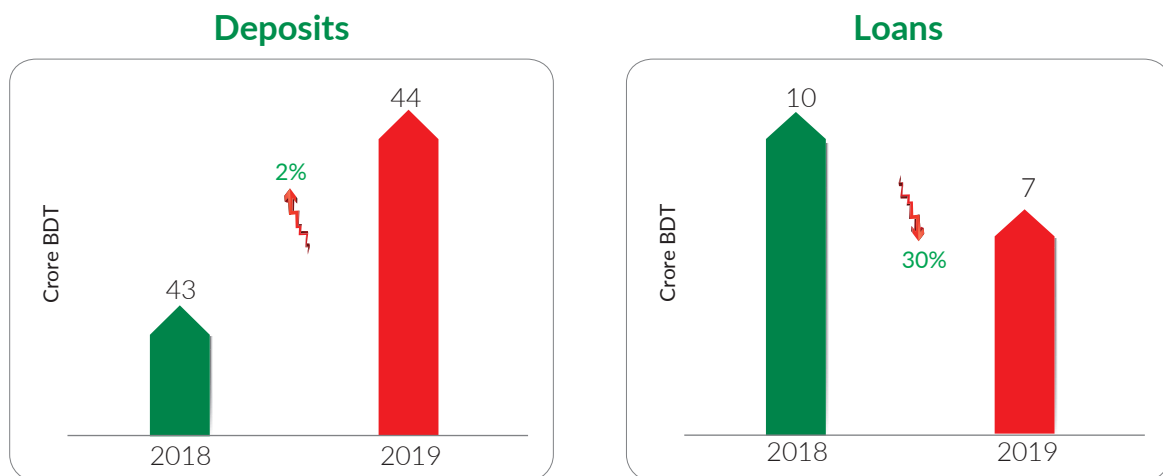
A moment of MoU signing ceremony between Credence Housing Ltd and Shimanto Bank Ltd for providing easy home loans to customers.

## 02. SME BANKING

### An Overview

SMEs have been playing a tremendous role in developing the overall economy by accelerating industrialization, generating employment and reducing poverty with remarkable contribution in GDP growth of Bangladesh. Realizing the growth potential, most of the commercial banks have focused on this growing and booming SME sector of the country. Many banks have launched specialized products and also has formed specialized cells to cater the SME business.

To capitalize on the sector's immense growth potential and focus on meeting the government's central mandate of financial inclusion, SMBL has started SME Banking from the beginning of its operation. The bank is continuously working to develop various tools and techniques, products and policies, staff and strategies to attract the potential SME entrepreneurs of our country. We have already launched a number of loan products for SME segment and planning to launch specialized deposit products to fulfil the fund management needs of the SME customers. Locations of most of our branches' are very favorable to reach the SME customers and planning to focus more on developing various service propositions to meet the growing needs of our SME customers and for better market penetration.



### Challenges Ahead:

- Aggressive offers made by some competing banks to book fresh as well as takeover loans at lower interest rates is pushing the margin on SME loans to downward.
- Upon realizing the growth potential of SME sector almost all the banks are now giving special attention to SME Banking which makes it more challenging for new entrants like us.
- Growing companies in Bangladesh are standoffish regarding financial discipline which is another major challenge to analyze the client's financial health.
- Rising NPL in SME sector is making SME financing more challenging.

### SME Banking goals for 2020:

- To launch more customized SME loan and deposit products as per clients' need
- Get the most benefits out of strategic locations of the branches.
- To make maximum market penetration through direct sales team.
- Train and educate branch people to facilitate more acquisition of SME Business.
- To make agreements with various organizations for refinancing & pre-financing facilities.



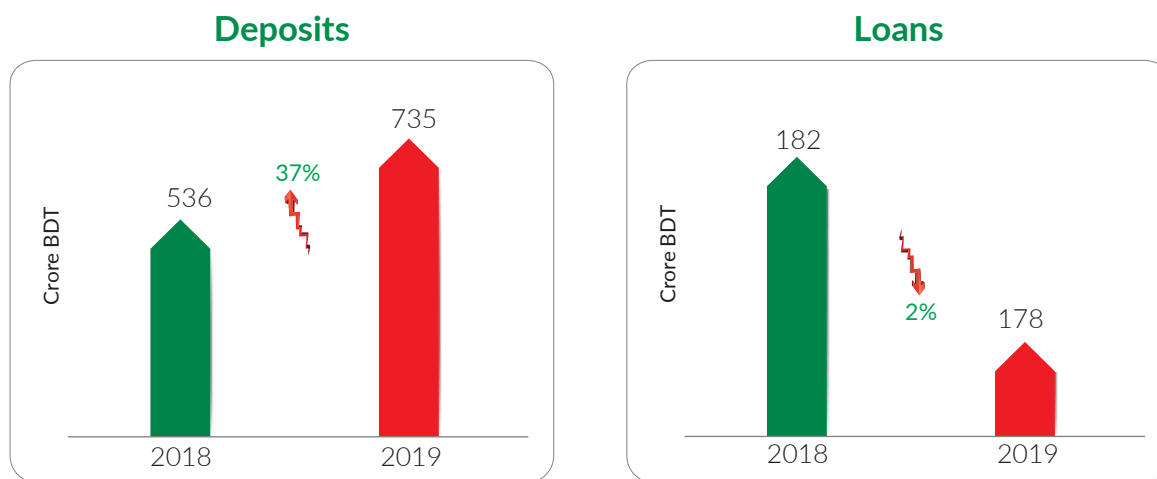


## 03. CORPORATE BANKING

### An Overview

Huge public investment in power and energy, construction, transport and communication which is the current growth mandate of the government created huge opportunities for the private sector investors in recent years. Demand for consumer goods as well as luxury household items has also seen a sharp upward trend due to a consistent GDP growth of 7% over the last 10 years. As a result, investment in manufacturing units has been another profitable corporate sector. But, for the banking industry, 2019 has been a mix year. Strong growth in the beginning of the year gradually slowed down due to liquidity reasons.

Despite all these challenges SMBL corporate banking has achieved 37% growth in its deposit portfolio. Our corporate banking team has been able to finance some of the large and renowned corporates of our country. SMBL is currently offering working capital finance, term finance, trade finance & syndication and hopeful to launch all other conventional tailor made corporate products like cash management services, offshore banking services etc. within a very short time.



### Challenges Ahead:

- ❖ Credit concentration on a few large corporates in our banking industry remains a great challenge in corporate banking.
- ❖ With limited scope for existing corporates to grow, it is imperative to search for new sectors and avenues that has future growth potential.
- ❖ As rising NPL in corporate sector remains a great challenge, there is no alternative to hunt good borrowers.

### Corporate Banking Goals for 2020:

- ❖ To form structured corporate banking team.
- ❖ To form Corporate Cash Management team.
- ❖ To launch customized new deposit and loan products as per client's requirement.
- ❖ Focusing on corporate segments like infrastructure development, health & pharmaceuticals, food & agro processing, agriculture and most importantly help government and private sector in developing the economic zones and related sectors.

## 04. TREASURY MANAGEMENT

From the very beginning of 2019, Treasury department of Shimanto bank started their activity considering profitability and risk factor of the liquidity market.

Shimanto bank has a dedicated treasury team which is capable to provide different treasury solutions with different treasury products.

In 2019, Shimanto bank Treasury department started their activity with Money market term placement and with treasury Bonds. Till 31st December 2019, the invested amount in Term placement was BDT 370 crore and Treasury bond investment face value was BDT 119 crore. Also invested in preference share amounting BDT 5.5 crore, in commercial paper amounting BDT 40.00 crore & in Zero coupon bond BDT 9.99 crore. During the year 2019, treasury department performed their activity in Foreign Exchange market.

For market risks monitoring, Shimanto Bank formed Asset Liability Management Committee (ALCO) who monitors the Treasury Division's activities to minimize the market risk. ALCO is primarily responsible for establishing the market risk management and asset liability management of the Bank.

In 2019, Shimanto bank Treasury department provide their best solution for bank profitability and Treasury will continue to further contribute towards Shimanto Bank's profitability in 2020. Shimanto bank Treasury Department has a plan to expand their activity in Fixed Income, Capital market and Money market activity in 2020.

## 05. ADC INFRASTRUCTURE FOR BANKING

In banking sector, Alternate Delivery Channels are such channels that providing banking services directly to the customers.

Customers can perform banking transactions through ATM / POS / Multi-functional Kiosks, contact the bank's Call Center for any inquiry, access the digital Interactive Voice Response (IVR), perform transactions through Internet Banking, and even on smartphones through mobile banking, etc. These channels have allowed banks to grasp a wide client-base across geographies.

ADCs confirm the regular transactions flow of banks smoothly. They also ensure maximum profit with least operational and transaction costs. "Channelize through channels" is the new paradigm for banking today, which in earlier times relied solely on the branch network – where expanding the business meant adding more branches at high establishment costs.

The branch network has been changed dynamically by the evolution of ADCs. The traditional banking services have turned into contemporary figure, such as Cheque/Cash deposits, Teller Services, etc. have now shifted to other channels. ADCs introduce unique banking services including, Cheque/Cash withdrawal, Foreign Exchange services, Funds Transfers, Bills / Fees / Service Charges Payments, e-trading / e-shopping, Agent Banking, and now even mobile top-ups and customers are more inclined towards ADCs for its greater expansion of services.

Day by day Shimanto Bank enriching the strategy to explore ADC channels along with "Connect Internet Banking" and mobile apps. ADC channel will expand to integrate with fintech's to ensuring payment systems. A payment ecosystem is developing to collect fees, charge and e-commerce payments.



## 06. DEVELOPING HUMAN RESOURCES FOR SUSTAINABLE DEVELOPMENT

A Bank inaugurated by the Honorable Prime Minister of the country holds a different prestige in banking sector, started functioning as a scheduled commercial bank made the employees further confident about their responsibilities. Members of Human Resources Division of Shimanto Bank Ltd take the pride to serve the Bank with full compliance owned by Border Guard Bangladesh Welfare Trust. The bank has a mission to excel in the banking arena with its visionary Board of directors, experienced management team supported by highly dedicated work force. The bank is committed to set an example of high standards of corporate governance for the other financial institutions of the country. Shimanto Bank Ltd. has already proved itself to be the most successful Bank among the newly opened contemporary banks. The Bank is dedicated to serve countrymen irrespective of profession and classes.

Human Resources Division (HRD) is the management of the people of the Bank. It is designed by the HR Department to maximize employees' performances in service of employer's strategic objectives. HR is primarily concerned with the management of people within organizations, focusing on policies and on systems. HR Departments are responsible for overseeing employee-benefits design, employee recruitment, training and development, performance appraisal and rewarding.

HR Division of Shimanto Bank focuses on maximizing employee productivity. HR professionals manage the human capital of an organization and focus on implementing policies and processes. They can specialize on recruiting, training, employee-relations and benefits. Training and development professionals ensure that employees are trained and have continuous development. This is done through training programs, performance evaluations and rewards programs. Employee relations deals with concerns of employees when policies are broken, such as in cases involving harassment or discrimination.

Human Resources Division of Shimanto Bank has adopted the following strategic KPIs to achieve Bank's vision:

- Identifying and hire the right people
- Managing and growing those people in the right way
- Develop each role to achieve business strategy
- Build a company culture that supports customers promise



*Shimanto Bank Ltd was awarded as the Best Employer Brand Award-2019 by World HRD Congress.*



Human Resources Division focuses on making the Bank as 'employer of choice' as well as retaining its best talents through better strategies i.e. creating a talent review process, implementing a high potential program, identifying and evaluating critical drivers of employee engagement, beginning/exit interview process and establishing leadership training curriculum focused on strategy, financials and problems solving etc. Within this short spell of time the Bank has arranged the following training programs home and abroad for the employees:

- Basic Banking for all Grades of employees
- Foundation Training for all Fresh employees
- Anti-Money Laundering & Counter Financing Terrorism
- Credit Risk Management
- Trade Operations
- Vault Management
- Customer Service
- Asset & Liability Management for employees in Treasury (arranged by Bangladesh Bank)
- BASEL II & III
- Internal Control & Compliance
- Human Resources Management
- Leadership & Teamwork
- Cyber Security for the Senior Management

The Bank also arranged Town Hall Meeting, Picnic, Central Iftar, Women's Day etc. for all employees and different views sharing sessions for all of its employees to ensure better Employee Engagement. These programs built a good bonding among Management and employees of the Bank.

The Human Resources Division of Shimanto Bank Limited believes in sustainable growth of country's human resources. Hence, it is relentlessly pursuing to recruit the best, develop talents and preserve them to derive maximum benefit out of them ensuring a congenial working atmosphere in the Bank.



*Mr. Muklesur Rahman, Managing Director & CEO, Officials and their children were present in the opening ceremony of Day Care Center of the Bank.*



## 07. CORPORATE SOCIAL RESPONSIBILITY

The Bank believes in engaging and giving back to the community in a good way and in line with the Bank's commitment to philanthropy. It intends to undertake the CSR activities strategically, systematically and more thoughtfully and to move from institutional building to community development through its various CSR programs and projects.

As part of CSR Shimanto Bank is committed to contribute to the society to make it more livable. Shimanto Bank wants to bring financial inclusion to the life of margined people Bangladesh. The Bank is working to make financial service available to the people of remote areas.

As initiated by Bangladesh Bank Shimanto Bank is contributing in direct and indirect Corporate Social Responsibility (CSR). Our management is always concerned about the allocation pattern which includes education, preventive and curative health care support, emergency disaster relief, promoting adoption of environmentally sustainable practice and life style, promoting artistic, cultural, literary, sports and recreational facilities for the underprivileged and infrastructure improvement for disadvantaged communities in remote far flung areas and so forth.

Abiding by the Indicative guideline for CSR expenditure allocation and end use oversight as circulated by Bangladesh Bank, Shimanto Bank has allocated mentionable amount of money to University of Dhaka, DiptoShimanto (an institution for the special children's education), local sports, health care etc. As a new bank and within 1st, 2nd, 3rd and 4th year of operations our contribution in the field of CSR is praiseworthy.



A moment of Check handover ceremony to Dipto Shimanto, a school for special children. A donation was given to student of Birshreshtho Mushi Abdur Rauf Public College who lost his family in the Churhatta fire accident.



Relief distribution to flood victims at Mymensingh.



## 08. RISK GOVERNANCE FRAMEWORK

Efficient tradeoff between risk and reward are compulsory for any financial institution to maximize risk-adjusted returns within stipulated boundaries. Shimanto Bank has a commitment to strive for excellence in risk management culture and thus has put a dedicated functional unit in place to take care of the bank's Risk Management. The Bank has established a strong, disciplined and inclusive risk management culture, where risk management is a responsibility shared by all the employees of the Bank and involving all functions.

It is viewed as an integral contributor to good governance which enables the management and the Board to make effective decisions to achieve organization's vision and strategic objectives. That is why, we have established a disciplined risk management culture where it is a responsibility shared by all the employees of the Bank.

### **Shimanto Bank's risk governance framework includes:**

- Board of Directors for reviewing the activities of the delegated authorities
- Board-level committee, which is the Board's Risk Management Committee (BRMC) that oversees, directs and sets policies, while monitoring risk management performance
- Management-level committee, which is the Executive Risk Management Committee (ERMC) that oversees risk management activities across the Bank
- Chief Risk Officer (CRO) for supervising the Bank's overall risk management activities, as an independent person from business verticals and has a direct reporting line to Board's Risk Management Committee with dotted reporting to the MD & CEO

Shimanto Bank has always taken recognized the risks associated with its business operation. The Bank is consciously taking risks based on its approved Risk Appetite, coupled with the necessary checks and control systems to continuously detect, assess and mitigate risks as well as following transparent policies and procedures to follow up on breaches and deviations. Shimanto Bank has well formulated strategies to optimize risk return through effective risk infrastructure to support business growth plans, executives in control and co-ordination of risk taking across the business.



Shimanto Bank recognizes that the risk environment changes and evolves over time. In this context, the Bank has taken several strategies to monitor emerging risks, to analyze their potential impact and to develop action plans to mitigate or minimize the risks.

#### **A. Risk Appetite Framework:**

The financial institutions need to have a comprehensive risk appetite framework which is considerably more than a sophisticated key performance indicator (KPI) system for risk management. It's the core instrument for better alignment of overall corporate strategy, risk mitigation and capital allocation. Therefore, Business Strategy and Risk Appetite are interlinked with each other. Shimanto Bank formulates Risk Appetite Statement on a yearly basis as per regulatory guidelines which is approved by the Board of Directors.

#### **B. Policies & Guidelines:**

Shimanto Bank has duly approved policies, guidelines and manuals covering all functional area to cover up all possible risk triggering areas of business operations to ensure proper addressing of risks and to have safeguards. These have been formulated taking into account Bangladesh Bank's guidelines on managing core risks. These policies are regularly reviewed and updated to keep pace with the changing operating environment, technology and regulatory requirements. Besides, the bank has introduced various guidelines and operational manuals.

#### **C. Assigning Responsibilities:**

Responsibility for risk management resides at all levels within the Bank, from the Board Risk Management Committee (BRMC) and the Executive Risk Management Committee (ERMC) down through the organization to each business manager and risk analyst. Bank allocates the responsibilities accordingly so that risk/return decisions are taken at the most appropriate level. The procedures are approved, monitored and mitigated at





different stages within the Bank with a combination of the Board & its Committees - Executive Committee, Audit Committee and Risk Management Committee (RMC), Management Committees (MANCOM), Assets Liability Committees (ALCO), Credit Committee, ICT Risk Management Committee, Fraud Control Committee, etc.

#### D. Risk Management Strategies:

1. **Credit Risk Management:** Credit risk is perhaps the most obvious of the risks that can arise from the banking business. Banks must do their best to determine the likelihood that a customer will pay back what is loaned to them. To ensure profit maximization as well as to mitigate Credit Risk, Shimanto Bank religiously follows some well-defined steps.
  - Shimanto Bank has updated Credit Risk Management policy, which clearly defines the Bank's objectives, standards, credit approval process and well-defined responsibilities of different officials, who are associated with marketing, approving and administering the credit portfolio of the bank.
  - The Bank uses a well-designed and in-depth Credit memorandum format that contains details of the prospective borrower's financials, business status, cash flow trends as well as reputation in the market, experience in the field. The format also highlights the different security /collateral converge issues. As a whole, the format allows the credit approving authority to make a well-informed decision, concerning the profit making as well as risk mitigating factors.
  - There is a centralized set up for client's approved limit loading and as well as limit activations to ensure accuracy and control.
  - Customers are actively encouraged to rate themselves through approved credit rating agencies to determine their financial health.
  - Shimanto Bank has also taken the strategy of enhanced monitoring as a shield against the occurrence of new NPLs and strengthening recovery process to reduce existing NPLs.
2. **Market Risk Management:** This risk emanates from adverse movement of interest rate, foreign exchange rates, equity prices, commodity prices, etc. In Shimanto Bank, we have the following structure in place for monitoring the trend and taking appropriate measures to maximize margin and minimize risks:
  - ALCO (Asset Liability Committee) and Investment Committee comprising Treasury and other Senior Management meets periodically to review present and anticipated future market trend and takes appropriate decisions on interest rates and investments.
  - Segregated Front Office, Mid Office and Back Office to ensure 'check and balance' between Treasury functions.
  - Regular reconciliation of all Nostro accounts.
3. **Operational Risk Management:** Operational risk is the risk that comes from inadequate internal controls and less than necessary employee accountability can lead to serious risks for the bank. Operational Risk refers to some direct or indirect losses, resulting from human errors, external events, inadequate or failed internal processes and systems e.g. frauds and forgeries, etc. The Bank is committed to alleviate this risk through the following:
  - Set down guidelines, manuals and policies have been implemented for all back office functions.
  - Strong operational teams with clear segregation of duties to ensure check and balance and regular reviews by senior management.
  - A strong and committed control culture across the bank.
  - A strong internal control team conducting regular audits.
  - Frequent visit by Head Office Senior Management along with specifically designated officials.
  - Arrangement of trainings, seminars and knowledge sharing sessions.
4. **Liquidity Risk Management:** This is a risk that Bank will not be able to stay resilient, if funds suddenly run out. A solid risk management plan is essential for mitigating Liquidity risk that can be faced by any bank in the industry. Banks face this risk, when it is unable to meet its financial obligations at the time of demand/emergency. It arises when the cushion provided by the liquid assets of the bank are not sufficient to meet maturing obligations. Shimanto Bank has founded the following precautions to restrain the risks that can arise from liquidity issue:



- ALCO (Asset Liability Committee) comprising Treasury and other senior management meets periodically to review different aspects of the bank's portfolio with special emphasis on deposits and liquidity position. After a detailed discussion among the designated members, necessary steps are decided to be taken by the bank.
- The Bank is always highly cautious about maintaining the liquidity parameters set by Bangladesh Bank, especially AD ratio.
- A balanced mix of short and long terms deposits to counter maturity gaps.
- Annual budget is formulated with a balance between growth in assets and liabilities.
- Different deposit based products to attract deposits from various customer segments

**5. ICT Security Risk Management:** IT security infrastructure and related management and monitoring systems have been aligned with respect to the global IT risk landscape and regulatory guidelines. The Bank has been continuing to adopt internal standards as per best practices. ICT Risk Management Committee has been formed with senior officials of the Bank who periodically meet to review different aspects of the Bank's IT security infrastructure and related management.

**6. Combating Money Laundering & Financing of Terrorism:** The Bank emphasizes on the robustness of processes and internal controls followed at the organization along with the safeguards that are in place to protect the system against any possible frauds. Money Laundering and Terrorist Financing are alarming threats worldwide. Since these risks are directly associated with 'money', banks have an active role in prevention of money laundering and terrorism financing. Bangladesh Bank also has taken a lead role to combat these risks and have circulated guidelines and policies on "Anti Money Laundering" and "Combating the Financing of Terrorism". In accordance with these guidelines, Shimanto Bank has taken the following steps:

- A Central Compliance Committee (CCC) has been set up headed by a Deputy Managing Director who is also the Chief Anti Money Laundering Compliance Officer (CAMLCO).
- Branch Anti Money Laundering Compliance Officers (BAMLCO) and Departmental Anti Money Laundering Compliance Officers (DAMLCO) have been assigned for all branches and necessary departments who spearheads the AML & CFT activities in their respective branch and department.
- Account activities are monitored through automated system for reporting of Cash Transaction Reports (CTR).
- Trainings are imparted to employees on AML & CFT on a regular basis.
- AML & CFT compliance status of branches are reviewed by the internal audit team during their periodic audit branches.
- Shimanto Bank continuously conducts trainings/workshops all the year round, to equip senior officials as well as officials working in different business groups and control functions, to create awareness and to be vigilant accordingly.

## **E. Capital Plan and Management:**

Capital management is one of the key focus areas of the risk management framework for achieving the appropriate balance between our risk appetite and the amount of capital required to support each of the business lines. The Bank is committed to maintain a strong capital base to support its business growth, comply with all regulatory requirements, and obtain good credit rating and CAMELS rating and to have a cushion to absorb any unforeseen shock. The capital adequacy position and assessment is reported to the Board and the Risk Committee periodically. The Bank actively manages its capital to meet regulatory norms, current and future business needs and the risks in its businesses. The Bank has been maintaining a strong Capital Adequacy Ratio (CAR) to protect greater interest of the depositors and shareholders.

## **F. Stress Testing:**

Shimanto Bank conducts stress testing exercise and prepares Stress Testing Report on quarterly basis in accordance with Bangladesh Bank Guidelines considering the following risk factors:

- a) Credit Risk
- b) Interest Rate Risk
- c) Exchange Rate Risk
- d) Equity Price Risk
- e) Liquidity Risk

### G. Supervisory Review Process (SRP) - Supervisory Review Evaluation Process (SREP) on Internal Capital Adequacy Assessment Process (ICAAP):

Supervisory Review Process (SRP) gives emphasis to the value that Banks have a process for assessing overall capital adequacy in relation to risk profile and strategy for maintaining their capital at a satisfactory level. The process involves constitution of two teams i.e. SRP Team at the Bank level and SREP Team at Bangladesh Bank. Accordingly, Shimanto Bank has formed its SRP team duly approved by the Board. Supervisory Review Evaluation Team (SREP) of BB reviews and evaluates the Bank's ICAAP and strategies, as well as its ability to monitor and ensure compliance with economic Capital Adequacy Ratio (CAR). It is mentionable that, under this process, Bank may need to maintain 'Additional Capital' in addition to Minimum Capital Requirement (MCR) based on risk management status of the Bank on some specific parameters. SRP-SREP Dialogue on ICAAP Report of every year is held by the Bangladesh bank.

### H. Risk Management Department:

The Bank has an established Risk Management Department (RMD) in accordance with Bangladesh Bank guidelines. The department follows Bangladesh Bank's risk related directives and works closely with core risks dealing divisions to address and mitigate the risks properly. RMD has a continuous focus on the core risk areas. The department plays a key role in providing suggestions where mitigating factors require some added expertise and need to undertake required initiatives.

From the beginning of the operation, Shimanto Bank has considered 'risk management' as core part of the Bank's strategic planning, having close collaboration with the Business Leaders within the Bank and a center of excellence for unprejudiced decision making. The management and Board of the Bank feel and believe that, with the growth of its business, strengthening its oversight and building a strong risk management structure is a matter of great significance. The Bank has set its risk management policies, risk appetite statement and introduced effective risk assessment procedures, monitoring and oversight in a very methodical and conscious manner in order to control the internal and external risks at an optimum level. The Bank is always keen to uphold its brand image through customer satisfaction by mitigating risk factors at all levels.

## 09. COMPLIANCE & GOVERNANCE EXCELLENCE

Banking business is a diversified and complex financial activity which involves high risk. The issue of effective internal control system, compliance and corporate governance has become significant to ensure smooth performance of the operations of the Bank. Internal Control is the process, affected by a company's Board of Directors, Management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws, regulations and internal policies.

Shimanto Bank Limited has established an appropriate and effective internal control environment through the Board of Directors, Management, an independent audit mechanism and procedural controls in order to ensure that the Bank is managed and controlled in a sound and prudent manner. The Bank identifies its weakness through the internal control system and takes appropriate measures to overcome the weaknesses. The Board of Directors of the Bank has established an Audit Committee. The Audit Committee monitors the effectiveness of internal control system of the Bank. Management takes appropriate actions as per the recommendations of the Bangladesh Bank's Inspection Team, External Auditors and Internal Auditors.



The Bank has updated its Internal control & Compliance Policy and implemented robust Risk Based Internal Audit (RBIA) methodology. Risk assessment by internal control focuses on ensuring compliance with the Bank's policies, together with regulatory requirements as per core risk guidelines and different circulars of Bangladesh Bank and other regulatory requirements. In this way, Internal Control & Compliance plays its pivotal role both as a watchdog as well as a facilitator of the Bank's sustainable growth.

The Compliance Unit looks after compliance activities of different divisions and branches. The compliance objectives of internal control refer to ensure that the bank stays in compliance with all applicable laws and regulations. The compliance unit is responsible for ensuring compliance with applicable laws, regulations, policy and guidelines of relevant regulatory authorities (BB, NBR, BSEC etc.). The compliance unit maintains liaison with the regulators at all levels and notifies relevant internal division/ departments regarding any change of regulatory instruction.

Bangladesh Bank has conducted core risk inspection on Credit Risk Management, Asset Liability Management, Information Security, Internal Control & Compliance, Foreign Exchange in 2019 and submitted audit reports. Compliance Unit submitted all compliance reports to Bangladesh Bank. Bangladesh Bank comprehensive inspection on Head Office as on 31-12-2019 is going on and Compliance Unit will arrange for compliance of all observations of Bangladesh Bank in due time. Tripartite meeting among Bangladesh Bank, External Auditors and the Management of the Bank has already been conducted for finalization of Annual Financial Statements-2019. All SMBL audit observations are compiled meticulously by Compliance Unit.

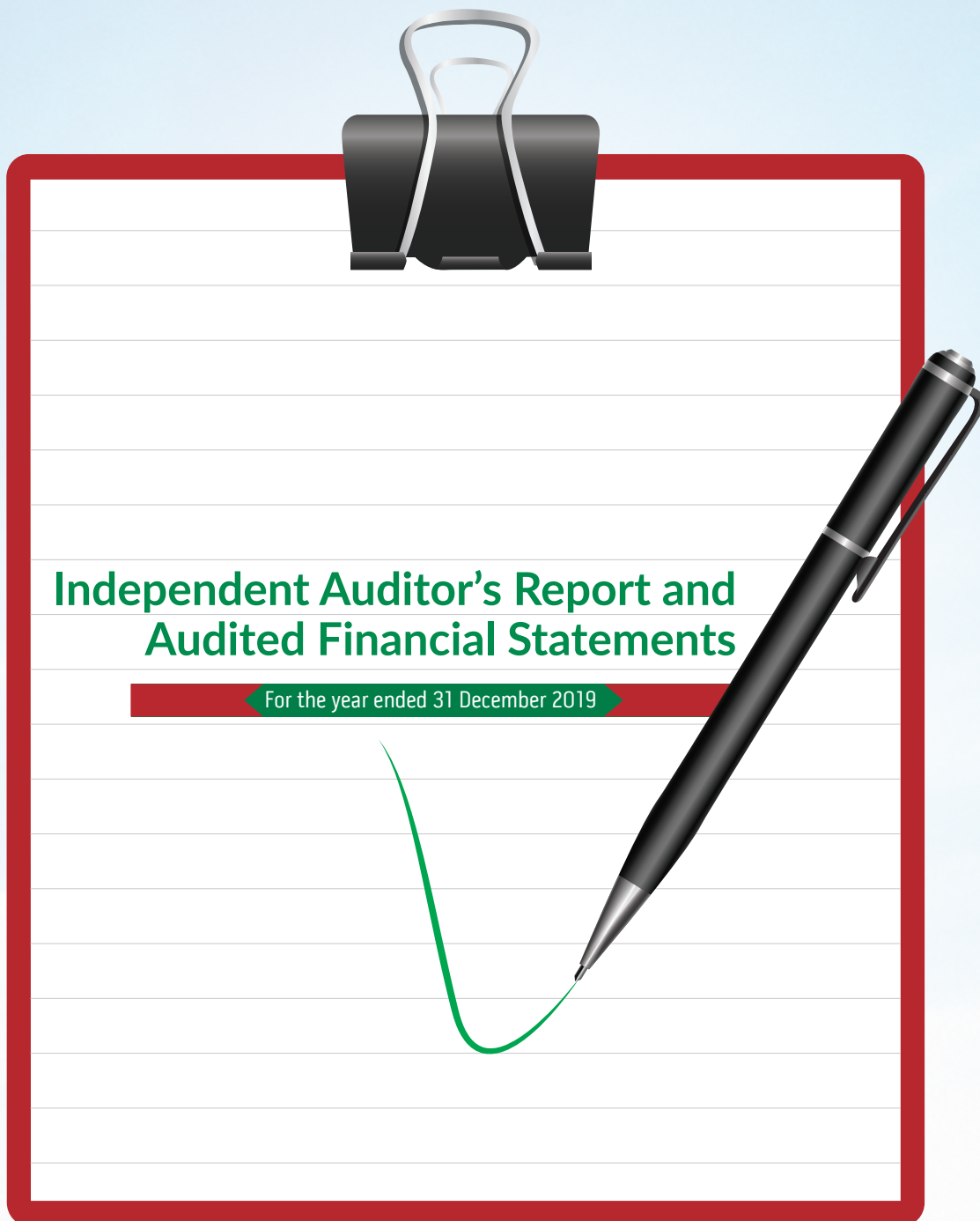
Governance is the combination of processes and structures implemented by the Board to inform, direct, manage and monitor the activities of the organization towards the achievement of its objectives. For reinforce, effective governance:

- Starts at the top with the Board of Directors and cascades throughout the organization to all employees.
- Involves critical relationships among the Board, Senior Management and Shareholders
- Encompasses organizational structure as well as the related legal and regulatory environment
- Balances economic and social goals
- Extends to all organizational stakeholders including but not limited to customers, suppliers, partners, creditors and the general community.

Sound corporate governance is fundamental to the gaining of stakeholders' trust. Shimanto Bank's commitment to all stakeholders is reflected in our management culture that embraces the higher standards of corporate governance we maintain. The Board of Directors of Shimanto Bank has a separate and distinct role from executive management in governing the organization. The board approves strategic decisions and policies, establishes appropriate boundaries, oversees execution and ensures accountability, fairness and transparency. Executive management aligns strategy, processes, people, reporting and technology to accomplish the organization's mission in accordance with its established values. An important aspect of the delineation of responsibilities between the Board And Management is the setting of boundaries, which provide a broad context for balancing the organization's objectives and performance goals for creating enterprise value with the policies, processes and control systems deemed appropriate to preserve enterprise value.

The Board has always been deeply committed to establishing the highest levels of ethics and compliance among all employees of the bank. It has always encouraged the management to ensure that everyone maintains high ethical standards within the bank. The bank's philosophy on corporate governance enshrines the goal of achieving the highest levels of transparency, accountability and equity in all spheres of its operations and in all its dealing with shareholders, employees, regulators and other relevant stakeholders. By doing so, the bank demonstrates its understanding and respects its fiduciary roles and responsibilities to shareholders excellently.







# Hoda Vasi Chowdhury & Co

## Chartered Accountants

### INDEPENDENT AUDITOR'S REPORT

#### To the Shareholders of Shimanto Bank Limited Report on the Audit of the Financial Statements

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##### Opinion

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

In our opinion, the financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as explained in note # 2.1.

##### Basis for Opinion

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

##### Emphasis of Matter

We draw attention to Note-3.17 of the financial statements, which describes matters related to implementation of 'IFRS 16 Leases' including preliminary assessment of its impact as assessed by management. Our opinion is not modified in respect of this matter.

##### Other Information

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

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

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

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If, based on the work we have performed, on the other information obtained prior to the date of this audit report, we conduct that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regards.

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

Management is responsible for the preparation and fair presentation of the financial statements of the Bank in accordance with IFRSs as explained in note # 2.1, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Bank Company Act, 1991 and the Bangladesh Bank Regulations require the Management to ensure effective internal audit, internal control and risk management functions of the Bank. The Management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or

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## Hoda Vasi Chowdhury & Co

### Chartered Accountants

conditions that may cast significant doubt the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### Report on other Legal and Regulatory Requirements

In accordance with the Companies Act, 1994, the 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 the financial statements of the Bank and considering the reports of the Management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the financial statements and internal control:
  - (a) internal audit, internal control and risk management arrangements of the Bank as disclosed in the financial statements appeared to be materially adequate;
  - (b) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank and its related entities [other than matters disclosed in these financial statements];
- (iii) in our opinion, proper books of accounts as required by law have been kept by the Bank and the Bank so far as it appeared from our examination of those books;
- (v) the records and statements submitted by the branches have been properly maintained in the financial statements;
- (vi) the balance sheet and profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;

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## Hoda Vasi Chowdhury & Co

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- (vii) the expenditures incurred were for the purpose of the Bank's business for the year;
- (viii) 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;
- (ix) adequate provisions have been made for advance and other assets which are in our opinion, doubtful of recovery;
- (x) the information and explanations required by us have been received and found satisfactory;
- (xi) we have reviewed over 80% of the risk weighted assets of the Bank and spent over 1,950 person hours; and
- (xii) Capital to Risk-weighted Asset Ratio (CRAR) as required by Bangladesh Bank has been maintained adequately during the year.

Dhaka,  
28 May 2020

  
Hoda Vasi Chowdhury & Co  
Chartered Accountants



# Shimanto Bank Limited

## Balance Sheet As at 31 December 2019

**Hoda Vasi  
Chowdhury & Co**

	Notes	31.12.2019 Taka	31.12.2018 Taka
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>	4	<b>877,225,599</b>	<b>890,239,877</b>
Cash in hand (including foreign currency)	4.1	207,118,595	195,284,520
Balance with Bangladesh Bank and its agent bank(s) (including foreign currency)	4.2	670,107,004	694,955,357
<b>Balance with other banks and financial institutions</b>	5	<b>636,046,460</b>	<b>458,616,949</b>
In Bangladesh	5.1	614,288,229	431,298,825
Outside Bangladesh	5.2	21,758,231	27,318,124
<b>Money at call on short notice</b>	6	<b>3,700,000,000</b>	<b>3,000,000,000</b>
<b>Investments</b>	7	<b>1,752,807,126</b>	<b>761,499,140</b>
Government	7.1	1,197,812,184	456,499,140
Others	7.2	554,994,942	305,000,000
<b>Loans and advances</b>	8	<b>7,173,461,524</b>	<b>5,835,300,077</b>
Loans, cash credits, overdrafts etc.	8.1	7,173,461,524	5,835,300,077
Bills purchased & discounted		-	-
<b>Fixed assets including premises, furniture and fixtures</b>	9	<b>301,794,910</b>	<b>129,448,053</b>
<b>Other assets</b>	10	<b>380,654,828</b>	<b>301,389,261</b>
<b>Non-banking assets</b>		<b>-</b>	<b>-</b>
<b>Total Assets</b>		<b>14,821,990,448</b>	<b>11,376,493,358</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
<b>Borrowings from other banks, financial institutions and agents</b>	11	<b>-</b>	<b>-</b>
<b>Deposits and other accounts</b>	12	<b>10,113,827,024</b>	<b>6,982,635,204</b>
Current deposit accounts		232,838,204	120,429,304
Bills payable		138,465,723	38,042,735
Savings bank deposits		4,477,148,699	3,762,118,151
Fixed deposits		5,218,669,410	3,007,441,603
Other deposits		46,704,988	54,603,410
<b>Other liabilities</b>	13	<b>440,477,411</b>	<b>304,023,842</b>
<b>Total Liabilities</b>		<b>10,554,304,435</b>	<b>7,286,659,046</b>
<b>Capital/Shareholders' Equity</b>			
<b>Total Shareholders' Equity</b>		<b>4,267,686,012</b>	<b>4,089,834,312</b>
Paid-up capital	14.2	4,000,000,000	4,000,000,000
Statutory reserve	15	101,310,320	43,458,434
Retained earnings	16	165,418,724	46,375,878
Other reserves	16.1	956,968	-
<b>Total Liabilities and Shareholders' Equity</b>		<b>14,821,990,448</b>	<b>11,376,493,358</b>

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

  
Managing Director & CEO

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



# Shimanto Bank Limited

## Profit and Loss Account

For the year ended 31 December 2019

**Hoda Vasi  
Chowdhury & Co**

	Notes	2019 Taka	2018 Taka
<b>OPERATING INCOME</b>			
Interest income	18	1,071,470,091	740,048,850
Interest on deposits and borrowings etc	19	(411,493,608)	(290,205,538)
<b>Net interest income</b>		<b>659,976,483</b>	<b>449,843,313</b>
Investment income	20	60,369,781	54,941,980
Commission, exchange and brokerage	21	22,344,917	16,201,985
		<b>82,714,698</b>	<b>71,143,965</b>
<b>Total operating income (a)</b>		<b>742,691,181</b>	<b>520,987,278</b>
<b>OPERATING EXPENSE</b>			
Salaries and allowances	22	214,579,278	162,972,354
Rent, taxes, insurance, electricity, etc.	23	78,689,388	62,345,329
Legal expenses	24	3,166,027	1,621,534
Postage, stamp, telecommunication, etc.	25	14,692,622	11,901,048
Stationery, printings, advertisements, etc.	26	11,581,599	8,806,644
Chief executive's salary and fees		14,324,904	10,800,000
Directors' fees	27	1,029,053	880,896
Auditors' fees	28	1,009,500	379,500
Depreciation and repairs of Bank's assets	29	53,963,519	37,681,215
Other expenses	30	48,776,040	41,373,516
<b>Total operating expenses (b)</b>		<b>441,811,930</b>	<b>338,762,035</b>
<b>Profit before provision (c = (a-b))</b>		<b>300,879,251</b>	<b>182,225,243</b>
<b>Provision against loans and advances</b>			
General Provision	31	4,017,923	44,550,984
Specific Provision		7,601,900	-
<b>Total provision (d)</b>		<b>11,619,823</b>	<b>44,550,984</b>
<b>Profit before taxation(e=c-d)</b>		<b>289,259,428</b>	<b>137,674,259</b>
<b>Provision for taxation (f)</b>		<b>112,364,695</b>	<b>65,954,409</b>
Current tax	13.2	114,601,562	64,028,267
Deferred tax income	13.3	(2,236,867)	1,926,142
<b>Net profit after taxation (g=e-f)</b>		<b>176,894,733</b>	<b>71,719,849</b>
<b>Appropriations</b>			
Statutory reserve	15	57,851,886	27,534,851
General reserve		-	-
		<b>57,851,886</b>	<b>27,534,851</b>
<b>Retained earnings</b>		<b>119,042,847</b>	<b>44,184,999</b>
<b>Earnings Per Share (EPS)</b>	33	<b>0.442</b>	<b>0.179</b>

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

  
Chairman

  
Director

  
Director

  
Managing Director & CEO

This is the balance sheet referred to in our separate report of even date.

Dhaka  
28 May 2020

  
Hoda Vasi Chowdhury & Co.  
Chartered Accountants



## Shimanto Bank Limited

## Cash Flow Statement

For the year ended 31 December 2019

Hoda Vasi  
Chowdhury & Co



	Notes	2019 Taka	2018 Taka
<b>Cash flows from Operating Activities</b>			
Interest receipts in cash		1,048,077,924	704,780,035
Interest payments		(409,513,676)	(260,283,558)
Dividend receipts		2,711,042	10,844,166
Fees and commission receipts in cash		22,344,917	16,201,985
Cash payments to employees		(228,904,182)	(173,772,354)
Cash payments to suppliers		(41,981,006)	(28,716,576)
Income taxes paid		(61,622,051)	(38,932,158)
Receipts from other operating activities	34	33,260,414	44,529,793
Payments for other operating activities	35	(81,214,675)	(128,297,687)
		<b>283,158,707</b>	<b>146,353,646</b>
<b>(i) Operating profit before changes in operating assets &amp; liabilities</b>			
<b>Change in operating assets and liabilities</b>			
Loans and advances to customers		(1,338,010,362)	(3,090,477,150)
Other assets		(7,321,585)	1,277,374
Deposits from customers		3,131,191,820	3,188,717,436
Other liabilities		3,160,502	16,410,780
<b>(ii) Cash generated from operating assets and liabilities</b>		<b>1,789,020,376</b>	<b>115,928,441</b>
<b>Net cash flow from operating activities (a)=(i)+(ii)</b>		<b>2,072,179,083</b>	<b>262,282,086</b>
<b>Cash Flows from Investing Activities</b>			
Payments for purchase of government securities		(740,130,976)	(86,366,315)
Payments for purchase of securities		(249,994,942)	(45,000,000)
Purchase of property, plant and equipment		(217,412,832)	(59,457,319)
<b>Net cash used in investing activities (b)</b>		<b>(1,207,538,750)</b>	<b>(190,823,633)</b>
<b>Cash Flows from Financing Activities</b>			
Dividend paid		-	(15,000,000)
Receipts from issue of ordinary share		-	-
<b>Net cash flow from financing activities (c)</b>		<b>-</b>	<b>(15,000,000)</b>
<b>Net Increase in cash and cash equivalents (a+b+c)</b>		<b>864,640,333</b>	<b>56,458,453.00</b>
Cash and cash equivalents at beginning of the year		4,348,953,127	4,292,494,673
<b>Cash and cash equivalents at end of the year (*)</b>		<b>5,213,593,459</b>	<b>4,348,953,126</b>
<b>(*) Cash and cash equivalents:</b>			
Cash in hand		207,118,595	195,284,520
Prize bonds		321,400	96,300
Money at call on short notice		3,700,000,000	3,000,000,000
Balance with Bangladesh Bank and its agent bank(s)		670,107,004	694,955,357
Balance with other banks and financial institutions		636,046,460	458,616,949
		<b>5,213,593,459</b>	<b>4,348,953,126</b>

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

  
Chairman

  
Director

  
Director

  
Managing Director & CEO  
  
Hoda Vasi Chowdhury & Co.  
Chartered Accountants
Dhaka  
28 May 2020

## Shimanto Bank Limited

Statement of Changes in Equity

For the year ended 31 December 2019

Hoda Vasi  
Chowdhury & Co

(Amount in Taka)

Particulars	Paid-up Capital	Statutory Reserve	Other Reserves (Investment Revaluation Reserve)	Retained Earnings	Total Equity
<b>Balance as at 1 January 2019</b>	4,000,000,000	43,458,434	-	46,375,878	4,089,834,311
Net profit after tax for the year	-	-	-	176,894,733	176,894,733
Dividend paid during the Year	-	-	-	-	-
Transfer to statutory reserve	-	57,851,886	956,968	(57,851,886)	956,968
<b>Balance as at 31 December 2019</b>	<b>4,000,000,000</b>	<b>101,310,320</b>	<b>956,968</b>	<b>165,418,724</b>	<b>4,267,686,012</b>


Particulars	Paid-up Capital	Statutory Reserve	Other Reserves (Investment Revaluation Reserve)	Retained Earnings	Total Equity
<b>Balance as at 1 January 2018</b>	4,000,000,000	15,923,583	-	17,190,879	4,033,114,462
Surplus/deficit on account of revaluation of investments	-	-	-	-	-
Net profit after tax for the period	-	-	-	71,719,849	71,719,849
Dividend Paid during the Year	-	-	-	(15,000,000)	(15,000,000)
Transfer to statutory reserve	-	27,534,851	-	(27,534,851)	-
<b>Balance as at 31 December 2018</b>	<b>4,000,000,000</b>	<b>43,458,434</b>	<b>-</b>	<b>46,375,878</b>	<b>4,089,834,312</b>

  
Chairman

  
Director

  
Director

  
Managing Director & CEO

  
Hoda Vasi Chowdhury & Co  
Chartered Accountants
Dhaka  
28 May 2020

# Shimanto Bank Limited

## Statement of Changes in Equity

### For the year ended 31 December 2019

**Hoda Vasi**  
**Chowdhury & Co**

SHIMANTO BANK LIMITED

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
<b>Assets</b>						
Cash in hand (including balance with Bangladesh Banks and its agent banks)	877,225,599	-	-	-	-	877,225,599
Balance with other banks and financial institutions	-	636,046,460	-	-	-	636,046,460
Money at call on short notice	-	2,700,000,000	-	-	-	2,700,000,000
Investments	321,400	-	840,750,632	252,814,871	658,920,223	1,752,807,126
Loans & advances	1,675,785,830	-	-	5,497,675,694	-	7,173,461,524
Fixed assets including premises, furniture and fixture	-	-	-	301,794,910	-	301,794,910
Other assets	43,199,509	-	-	337,455,319	-	380,654,828
Non-banking assets	-	-	-	-	-	-
<b>Total Assets (a)</b>	<b>2,596,532,338</b>	<b>3,336,046,460</b>	<b>840,750,632</b>	<b>6,389,740,795</b>	<b>658,920,223</b>	<b>13,821,990,448</b>

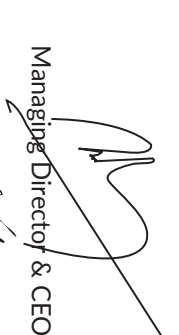
<b>Liabilities</b>						
Borrowing from other banks, financial institutions and agents	-	-	-	-	-	-
Deposit and other accounts	1,825,528,318	2,081,352,658	4,003,423,345	2,001,561,852	201,960,852	10,113,827,025
Other Liabilities	440,477,411	-	-	-	-	440,477,411
<b>Total Liabilities (b)</b>	<b>2,266,005,729</b>	<b>2,081,352,658</b>	<b>4,003,423,345</b>	<b>2,001,561,852</b>	<b>201,960,852</b>	<b>10,554,304,436</b>
<b>Net Liquidity Gap (a-b)</b>	<b>330,526,610</b>	<b>1,254,693,802</b>	<b>(3,162,672,713)</b>	<b>4,388,178,943</b>	<b>456,959,371</b>	<b>3,267,686,012</b>

  
Chairman

  
Director

  
Director

Dhaka  
28 May 2020

  
Managing Director & CEO  
*Hoda Vasi Chowdhury & Co.*  
Hoda Vasi Chowdhury and Co  
Chartered Accountants



# Shimanto Bank Limited

## Notes to the Financial Statements

For the year ended 31 December 2019

**Hoda Vasi  
Chowdhury & Co**

### 1. The Bank and its activities

#### 1.1 Legal form of the bank

The Shimanto Bank Limited (hereinafter referred to as "the Bank" or "SMBL") is a scheduled commercial bank established under the Banking Companies Act, 1991 and incorporated as a Public Limited Company under the Companies Act, 1994 in Bangladesh on 14 July 2016 with the primary objective to carry on all kinds of banking business within and outside the boundary of Bangladesh. The Bank has seventeen (17) branches operating in Bangladesh and the Bank has no overseas branches as at 31 December 2019.

The registered office of the Bank is located at Shimanto Shamvar (Level-7), Road-02, Bir Uttam M. A. Rob Sarak, Shimanto Square, Dhanmondi, Dhaka-1205.

#### 1.2 Principal activities

The principal activities of the Bank are to provide full range of banking services that include deposit collection, disbursement of loans and advances, providing national and international remittance facilities, providing L/C and L/G facilities etc.

### 2. Basis of preparation of financial statements and significant accounting policies

#### 2.1 Statement of compliance

The financial statements of the Bank as at and for the year ended 31 December 2019 have been prepared in accordance with the "First Schedule (Section 38) of the Banking Companies Act 1991 (amended upto 2013) which has been replaced through BRPD Circular no. 10 dated October 04, 2015, International Financial Reporting Standards (IFRS), International Accounting Standard (IAS), other Bangladesh Bank Circulars, the requirements of the Banking Companies Act, 1991 (amended in 2013), the rules and regulations issued by Bangladesh Bank, the Companies Act 1994 and other applicable laws and regulations.

The Financial Reporting Act 2015 (FRA) has been enacted in 2015. Under the FRA, the Financial Reporting Council (FRC) has been formed and they will issue financial reporting standards for public interest entities including banks.

In case the requirements of the Banking Companies Act 1991, and by Bangladesh Bank regulations differ with those of IFRS, the requirements of the Banking Companies Act, 1991 (amended in 2013) and Bangladesh Bank regulations shall prevail.

**Material departures from the requirement of IFRS are as follows:**

##### i) Presentation of financial statements

IFRS: As per IAS 1 a complete set of financial statements comprises statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, adequate notes comprising summary of accounting policies and other explanatory information. As per Para 60 of IAS 1, the entity shall also present current and non-current assets and current and non-current liabilities as separate classifications in its statement of financial position.



**Bangladesh Bank:** The presentation of the financial statements in prescribed format (i.e. balance sheet, profit and loss account, cash flows statement, changes in equity, liquidity statement) and certain disclosures therein are guided by the 'First Schedule' (section 38) of the Banking Companies Act, 1991 (amended 2013) and BRPD circular no. 14 dated 25 June 2003 and subsequent guidelines of Bangladesh Bank. In the prescribed format there is no option to present assets and liabilities under current and non-current classifications.

#### ii) Investments in shares and securities

**IFRS:** As per requirements of IFRS 9 investment in shares and securities generally falls under 'at Fair Value Through Profit or Loss (FVTPL)' or Fair Value Through Other Comprehensive Income (FVTOCI) where any change in the fair value (as measured in accordance with IFRS 13 Fair Value Measurement) 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 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.

#### iii) Revaluation gains/losses on Government securities

**IFRS:** As per the requirement of IFRS 9, where securities will fall under the category of Held for Trading (HFT), any change in the fair value of held for trading assets is recognised through profit and loss account. Securities designated as Held to Maturity (HTM) are measured at amortised cost method and interest income is recognised through the profit and 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, HFT securities are revalued on the basis of mark to market and at year end any gains on revaluation of securities which have not matured as at the balance sheet date are recognised in other reserves as a part of equity and any losses on revaluation of securities which have not matured as at the balance sheet date are charged in the profit and loss account. Interest on HFT securities including amortisation of discount are recognised in the profit and loss account. HTM securities which have not matured as at the balance sheet date are amortised at the year end and gains or losses on amortisation are recognised in other reserve as a part of equity.

#### iv) Provision on loans and advances

**IFRS:** As per the requirement of IFRS 9, an entity should carry out the impairment assessment by considering whether objective evidence of impairment exists for financial assets that are individually significant. For financial assets that are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis.

**Bangladesh Bank:** As per BRPD circular no. 14 dated 23 September 2012, BRPD circular no. 19 dated 27 December 2012, BRPD circular no. 05 dated 29 May 2013, BRPD circular no. 16 dated 18 November 2014, BRPD circular no. 12 dated 20 August 2017 and BRPD circular no. 15 dated 27 September 2017, a general provision at 0.25% to 5% under different categories of unclassified loans (standard/SMA loans) has to be maintained regardless of objective evidence of impairment. Also provision for sub-standard loans, doubtful loans and bad/losses loans has to be provided at 5% to 20%, 5% to 50% and 100%, respectively for loans and advances depending on the duration of overdue. Again as per BRPD circular no. 14 dated 23 September 2012, BRPD circular no. 07 dated 21 June 2018 and BRPD circular no. 13 dated 18 October 2018, a general provision at 0% to 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by International Financial Reporting Standards (IFRS) 9: Financial Instruments.



**v) Other comprehensive income and appropriation of profit**

**IFRS:** As per the requirements of IAS 1 Presentation of Financial Statements, Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single Other Comprehensive Income Statement. IFRSs do not require appropriation of profit to be shown on the face of the statement of comprehensive income.

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

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

As per BB guidelines, in certain cases financial instruments are categorized, recognized, measured and presented differently from those prescribed in IAS 32 Financial Instruments: Presentation, IFRS 9: Financial Instruments and IFRS 7 Financial Instruments: Disclosures. As such full disclosure and presentation requirements of IFRS 7 and IAS 32 are not made in the financial statements.

**vii) Financial guarantees**

**IFRS:** As per IFRS 9, financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of 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 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 and the loss allowance determined as expected credit loss method under IFRS 9. Financial guarantees are included within other liabilities.

**"Bangladesh Bank:** As per BRPD circular no. 14 dated 25 June 2003, financial guarantees such as letter of credit, letter of guarantee will be treated as off-balance sheet items. No liability is recognized for the guarantee except the cash margin."

**viii) Cash and cash equivalent**

**IFRS:** As per the requirement of IAS 7: Statement of Cash Flows, Cash and cash equivalent items should be reported as cash item.

**Bangladesh Bank:** Some cash and cash equivalent items such as 'money at call and on short notice', treasury bills, Bangladesh Bank bills and prize bond are not shown as cash and cash equivalents. Money at call and on short notice presented on the face of the balance sheet, and treasury bills, prize bonds are shown in investments.

**ix) Non-banking assets**

**IFRS:** No indication of non-banking assets is found in any IFRSs.

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

**x) Cash flow statement**

**IFRS:** Cash flow statement can be prepared either in direct method or indirect method. The presentation method is selected to present cash flow information in a manner that is most suitable for the business or industry. Whichever method selected should be applied consistently.

**Bangladesh Bank:** As per BRPD circular no 14, dated 25 June 2003, cash flow statement is to be prepared following a mixture of direct and indirect method.

**xi) Presentation of intangible asset**

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

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

**xii) Balance with Bangladesh Bank: (Cash Reserve Requirement)**

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

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

**xiii) Off-balance sheet items**

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

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

**xiv) Loans and advances net of provision**

**IFRS:** Loans and advances should be presented net of provision.

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

**2.2 Basis of measurement**

The financial statements have been prepared on the historical cost basis except for the following material items:

- Government Treasury Bills and Bonds designated as 'Held for Trading (HFT)' are measured weekly using 'mark to market' concept with gain credited to revaluation reserve but loss charged to Profit and Loss Account.
- Government Treasury Bills and Bonds designated as 'Held to Maturity (HTM)' are amortized each year with resulting gain credited to revaluation reserve but loss charged to Profit and Loss Account.
- Zero coupon bond at present value using amortization concept.



### **2.3 Functional and presentation currency**

These financial statements are presented in Bangladeshi Taka (BDT), which is the Bank's functional and presentation currency. All financial information presented in Taka has been rounded off to the nearest Taka except when otherwise indicated.

### **2.4 Use of estimates and judgments**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected. The most significant areas where estimates and judgements have been made are on provision for loans and advances, income tax, deferred tax, employee benefits and liquidity statement. Key estimates include:

- (i) Provision for loan and advances
- (ii) Provision for Income tax
- (iii) Provision for gratuity
- (iv) Depreciation of fixed assets
- (v) Amortization of Intangible assets
- (vi) Employee benefits
- (vii) Commitments
- (viii) Contingencies

### **2.5 Foreign currency transaction**

Transactions in foreign currencies are translated at the exchange rate prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rate prevailing at the date of statement of financial position. Foreign currency differences are generally recognized in the statement of profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of translations.

### **2.6 Cash flow statement**

Cash Flow Statement is prepared principally in accordance with IAS 7 "Statement of Cash Flows" under direct method as per the guidelines of BRPD circular no.14 dated 25 June 2003. The Cash Flow Statement shows the structure of and changes in cash and cash equivalents during the period. Cash Flows during the year have been classified as operating activities, investing activities and financing activities.

### **2.7 Reporting period**

These financial statements of the Bank cover a calendar year from 01 January 2019 to 31 December 2019.



**2.8 Statement of changes in equity**

Statement of Changes in Equity has been prepared in accordance with IAS 1 “Presentation of Financial Statements” and following the guidelines of Bangladesh Bank BRPD circular no. 14 dated 25 June 2003.

**2.9 Liquidity statement**

The liquidity statement has been prepared in accordance with remaining maturity grouping of the value of the assets and liabilities as at 31 December 2019 and under the guidelines of Bangladesh Bank BRPD circular no.14 dated 25 June 2003.

Particulars	Basis used
Balance with Other Banks and Financial Institutions	Maturity Term
Investments	Respective Maturity Terms
Loans and Advances	Repayment schedule basis
Fixed Assets	Useful life
Other Assets	Realization/Amortization basis
Borrowing from Other Banks and Financial Institutions and Agents	Maturity/Repayment terms
Deposits and Other Accounts	Maturity term
Other Liabilities	Payments/Adjustments schedule basis

**3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the entity except otherwise instructed by Bangladesh Bank as the prime regulator.

**3.1 Assets and basis of their valuation****3.1.1 Cash and cash equivalents**

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

**3.1.2 Investments**

All investments (other than government treasury securities) are initially recognized at cost, including acquisition charges associated with the investment. Accounting treatment of government treasury securities (categorized as HFT or/and HTM) is given following DOS Circular no. 05 dated 26 May 2008 and subsequent clarifications on 28 January 2009. The valuation methods of investments used are:

**Held to Maturity (HTM)**

Investments which are intended to be held till maturity are classified as “Held to Maturity”. These are measured at amortized cost at each year end by taking into account any discount or premium on acquisition. Premiums are amortized and discount accredited, using the effective or historical yield method. Any increase or decrease in value of such investments is booked to equity and in the profit and loss account respectively.



### **Held for Trading (HFT)**

Investment classified in this category are acquired principally for the purpose of selling or repurchasing in short trading or designated as such by the management. After initial recognition, investments are measured at fair value and any change in the fair value is recognized in the profit and loss account (if decrease) and revaluation reserve (if increase) as per Bangladesh Bank DOS Circular no. 05 dated 28 January 2009.

### **Investment in unquoted securities**

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

Provision for shares against unrealized loss (gain net off) has been made according to DOS circular no. 4 dated 24 November 2011 and for mutual funds (closed-end) as per DOS circular letter no. 3 dated 12 March 2015 of Bangladesh Bank.

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

### **Value of investment has been shown as under:**

Govt. treasury securities-Held for Trading (HFT)	At present value (using marked to market concept)
Govt. treasury securities-Held to Maturity (HTM)	At present value (using amortization concept)
Zero coupon bonds	At present value (using amortization concept)
Shares (Quoted)	At cost (provision made for any shortfall arising reduce market price from cost price)
Shares (Unquoted)	At cost (as per BRPD Circular 14 dated June 25, 2003)
Debenture	At cost
Prize bonds and other bonds	At cost

### **3.1.3 Loans, advances and provisions**

#### **Loans and advances are stated in the balance sheet on gross basis.**

Interest is calculated on daily product basis, but charged and accounted for quarterly on accrual basis. Interest on classified loans and advances is kept in interest suspense account as per BRPD circulars no. 14 dated September 23, 2012 (amendment on 21 April 2019) on Master Circular: Loan Classification and Provisioning. Interest is not charged on bad and loss loans and advances as per guidelines of Bangladesh Bank. Records of such interest amounts are kept in separate memorandum accounts.

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

General provisions @ 0.25% to 5% under different categories on unclassified loans (standard/SMA) and @ 1% on off balance-sheet exposures, and specific provisions @ 20%, 50% & 100% on classified (substandard/doubtful/bad loss) loans are made on the basis of quarter end review by the management and instructions contained in BRPD Circular no 14, dated 23 September 2012 (amendment on 21 April

2019), BRPD Circular no 19, dated 27 December 2012, BRPD Circular no 16, dated 18 November 2014 and BRPD Circular no 8, dated 2 August 2015. Provisions and interest suspense are separately shown under other liabilities as per First Schedule of Banking Companies Act, 1991 (amended in 2013), instead of netting off with loans.

Heads	Rates
General provision on:	
Unclassified (including SMA) general loans and advances	1%
Unclassified (including SMA) small and medium enterprise	0.25%
Unclassified (including SMA) Loans to BHs/MBs/SDs against Shares etc.	2%
Unclassified (including SMA) loans for housing finance and on loans for professionals	2%
Unclassified (including SMA) consumer financing other than housing	
financing and loans for professionals	5%
Unclassified Short term agri credit and micro credit	2.50%
Off balance sheet exposures	1.00%
Specific provision on:	
Substandard loans and advances other than short term agri credit and micro credit	20%
Doubtful loans and advances other than short term agri credit and micro credit	50%
Bad/loss loans and advances	100%
Substandard short term agri credit and micro credit	5%
Doubtful short term agri credit and micro credit	5%

### 3.1.4 Property, plant and equipment and depreciation

#### 3.1.4.1 Recognition and measurement

All fixed assets are stated at cost less accumulated depreciation as per IAS 16 "Property, Plant and Equipment". Land, if any, is measured at cost. The cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognized in accordance with the specific requirements of the IFRS.

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

#### 3.1.4.2 Subsequent costs

Subsequent costs are capitalized only when it is probable that the future economic benefits associated with the costs will flow to the entity and cost can be measured reliably. The carrying amount of the replaced portion is derecognized. The costs of day to day servicing of fixed assets, i.e. repairs and maintenance is charged as revenue expense when incurred.



### 3.1.4.3 Depreciation

Depreciation is charged at the following rates on all fixed assets on the basis of estimated useful lives as determined by fixed asset policy of the Bank. In all cases depreciation on addition is calculated using the straight line method. Depreciation on assets begins when the assets are available for use and no depreciation is charged in the month of disposal.

Category of fixed assets	Depreciation Period in Years
Core Banking Software	5
Furniture & Fixture	10
Server & Network Equipment	5
PBM Server and HSM	3
Microsoft software	3
Firewall	3
Laptop & Desktop	3
Air Conditioner	10
Other Office Equipment	3
UPS Scanner	2
Decoration & Renovation	10

### 3.1.4.4 Disposal of assets

An assets is derecognized on disposal or when no future economic benefits are expected from its use and subsequent disposals. Gain or loss on sale of fixed assets is recognized in the profit and loss account as per the requirement of IAS 16.

### 3.1.5 Intangible Assets

#### Recognition of intangible assets

Intangible assets include cost of acquisition on DMS software. Intangible assets are stated at cost as reduced by accumulated amortization. The costs are capitalized in the year in which the relevant software is available for use. All upgrading and enhancements are generally charged off as revenue expenditure unless they bring similar significant benefits in the long term. In the year 2016, the Company acquired the DMS software.

#### Amortization of intangible assets

Amortization is provided on software applying straight line method. Amortization is charged on the intangible assets when the assets are available for use.

#### Impairment of fixed assets

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



**Leased assets**

Where property, plant and equipment have been financed by lease arrangement under which substantially all the risks and rewards of ownership are transferred to the lessees are treated as finance leases as per IAS 17 "Leases". All other leases are classified as operating leases as per IAS 17 "Leases". Assets held under finance lease are recognised as assets of the Bank at their fair value at the date of acquisition or if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets.

**3.1.6 Other assets**

As per BRPD circular No. 14 dated 25 June 2003, other assets/item(s) have been shown separately as 'income generating' and 'non income generating' in the relevant notes to the financial statements. Other assets include advance rent, advance for VAT and advance to vendor, advance, deposits and prepayment and income receivables etc.

**3.1.7 Non-banking assets**

As at balance sheet date Shimanto Bank Ltd has not acquired any Non-Banking Assets as a consequence of failure from borrower to repay the loan/investments.

**3.1.8 Inventories**

Inventories are valued at lower of cost or net realizable value. Inventories comprise of unused portion of plastic card, stationary items and non-judicial stamp etc.

**3.2 Liabilities and provisions****3.2.1 Borrowings from other banks, financial institutions and agents**

Borrowings from other banks, financial institutions and agents include interest-bearing borrowings redeemable at call and Bangladesh Bank refinance. These items are brought to financial statements at the gross value of the outstanding balance.

**3.2.2 Deposits and other accounts**

Deposits and other accounts include non-interest-bearing current deposit redeemable at call, bills payable, interest bearing on demand and special notice deposits, savings deposit and fixed deposit. These items are brought to financial statements at the gross value of the outstanding balance.

**3.2.3 Other liabilities**

As per IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" the Bank recognises provisions only when it has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Other liabilities comprise items such as provision for loans and advances/investments, provision for taxes, interest payable on borrowing, interest suspense and accrued expenses etc. Individual item-wise liabilities are recognized as per the guidelines of Bangladesh Bank and International Financial Reporting Standards (IFRS).



### **3.2.4 Provision for loans and advances**

Provision for classified loans and advances is made on the basis of quarter-end review by the management and instructions contained in BRPD circular no. 14 dated 23 September 2012 (amendment on 21 April 2019), BRPD circular no. 19 dated 27 December 2012 and BRPD circular no. 16 dated 18 November 2014. Details are stated in Note 13.1 to these financial statements.

### **3.2.5 Provision for off-balance sheet exposures**

In compliance with BRPD circular no. 14 dated 23 September 2012 (amendment on 21 April 2019) and other relevant circulars, the Bank requires to maintain provision @ 1% against off-balance sheet exposures (mainly contingent assets/liabilities). In this year there are off-balance sheet exposures related to L/C liabilities & Government Sanchaypatra.

### **3.2.6 Provision for other assets**

Provision for other assets is made as per the instructions made in the BRPD circular No. 14 dated 25 June 2001 i.e. 100% provision is required on other assets which are outstanding for one year or more or classified as bad/loss.

## **3.3 Share capital and reserves**

### **Authorized capital**

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

### **Paid-up capital**

The paid-up capital represents the amount of bank's capital that has been contributed by ordinary shareholders. The holders of ordinary shares are entitled to receive dividend as recommended by the Board and subsequently approved by the shareholders from time to time in the Annual General Meeting (AGM).

### **Statutory reserve**

In compliance with the provision of Section 24 of Banking Companies Act, 1991, the Bank transfers at least 20% of its profit before tax "Statutory Reserve Fund" each year until the sum of statutory reserve and share premium equal to the paid up capital of the Bank.

### **Other reserve**

Other reserve arises from the revaluation of Treasury bills and bonds (HFT and HTM) in accordance with the Bangladesh Bank DOS circular no. 5 dated 26 May 2008. The tax effects on revaluation gain are measured and recognised in the financial statements as per IAS 12: Income Taxes.

## **3.4 Contingent liabilities and assets**

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

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

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

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

### 3.5 Revenue recognition

IFRS 15 Revenue from Contracts with Customers has replaced IAS 18 Revenue and IAS 11 Construction Contracts. As per the requirement of IFRS 15, revenue is recognised when or as a performance obligation is satisfied by transferring a good or service to a customer, either at a point in time or over time. The Bank has adopted IFRS 15 from January 2019 which did not impact the timing or amount of interest income and fees and commission income. The income of the Bank has been recognised as follows:

#### Interest income

Interest on unclassified loans and advances is recognized as income on accrual basis, interest on classified loans and advances is credited to interest suspense account with actual receipt of interest there from credited to income as and when received as per instruction contained in BRPD circular no 14 dated 23 September 2012 (amendment on 21 April 2019), BRPD circular no 19 dated 27 December 2012 and BRPD circular no 16 dated 18 November 2014.

#### Fees and commission income

Fees and commission income arises on services provided by the Bank and recognized as and when received basis. Commission charged to customers on letters of credit, letters of guarantee and acceptance are credited to income on the basis of realization except those which are received in advance.

#### Interest and fees receivable on credit card

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

#### Investment income

Income on investments is recognized on accrual basis. Investment income includes discount on treasury bills and zero coupon bonds, interest on treasury bonds, debentures and fixed deposits with other banks. Capital gain on investments in shares and dividend on investment in shares are also included in investment income.

#### Dividend income

Dividend income from investments is recognized at the time when it is declared, ascertained and right to receive the payment is established as per IFRS 15.

### 3.6 Interest paid on borrowings and deposits

Interest paid on borrowings and deposits are calculated on 360 days' basis (except for some treasury instruments which are calculated on 364 days' basis) in a year and recognized on accrual basis.

### 3.7 Other operating expenses

All other operating expenses are provided for in the books of the account on accrual basis according to the IAS 1 "Presentation of Financial Statements".



### **3.8 Employee benefits**

#### **Provident fund**

The Bank operates a recognised provident fund which is given to the confirmed employees of the Bank in accordance with Bank's service rules. The provident fund is administered by a Board of Trustees consisting of four members from the employees of the Bank. All confirmed employees of the Bank are contributing 10% of their basic salary as subscription to the Fund. The Bank also contributes equal amount.

#### **Gratuity fund**

The Bank operates an funded gratuity scheme, provision in respect of which is made annually covering all permanent eligible employees. The employee's Gratuity Fund is being considered as defined benefit plan.

### **3.9 Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity.

#### **(i) Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income tax, if any. Current tax assets/liabilities are offset if certain criteria are met. It is measured using tax rates enacted or substantively enacted at the reporting period. The applicable tax rate for the Bank is currently 37.5%.

#### **(ii) Deferred tax**

Deferred tax liabilities are the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amount of income taxes recoverable in future periods in respect of deductible temporary differences. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date. The impact on the account of changes in the deferred tax assets and liabilities has also been recognized in the profit and loss account as per IAS-12 "Income Taxes".

### **3.10 Offsetting**

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Advance tax paid and provision for tax of the Bank is presented on net basis as a liability item if the liability is higher than asset and as an asset item if the asset is higher than liability.

### **3.11 Earnings per Share**

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



**3.12 Reconciliation of inter-bank account**

Books of account in regard to inter-bank (in Bangladesh and outside Bangladesh) as well as inter-branches are reconciled at regular intervals to keep the unreconciled balances within non-material level.

**3.13 Risk management and other related matters**

Financial Institutions are in the business of taking calculative risk and it is important how a bank decides on its risk appetite. The bank firmly believes that robust risk management is the core function that makes its business sustainable. The risk management systems in place at the Bank are discussed below:

**Credit Risk**

Credit risk is the risk of loss that may occur from the default of any counterparty to repay in accordance with agreed terms and conditions and/or deterioration of creditworthiness. Board of Directors is the apex body for credit approval of the Bank. However, they delegate authority to the Managing Director & CEO or other officers of the Credit Risk Management (CRM) Division. The Board also sets credit policies to the management for setting procedures, which together has structured the CRM framework in the bank. The Credit Policy Manual (CPM) contains the core principles for identifying, measuring, approving, and managing credit risk in the bank. The policy covers Corporate, Retail, Small and Medium Enterprise (SME) exposures. Policies and procedures together have structured and standardized CRM process both in obligor and portfolio level. There is a comprehensive credit appraisal procedure that covers Industry/Business risk, management risk, financial risk, facility structure risk, security risk, environmental risk, reputational risk, and account performance risk.

The bank follows the criteria for loan classification and provisioning requirement as stipulated in the BRPD circular no 14 dated September 23, 2012 (amendment on 21 April 2019) and BRPD circular no 05 dated May 29, 2013. Adequate provision has been kept which is stated in Note 12.1.1 to the financial statements.

**Liquidity Risk**

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

ALCO also monitors concentration of deposits on large institutional depositors which is volatile in nature. In addition to these ratios, Bank prepares structural liquidity profile, maturity profile of term deposit, cash flow modeling, and contingency funding plan on monthly basis, which are analyzed in ALCO meeting to ensure liquidity at the level acceptable to the bank and regulators.

**Market Risk**

Risk Management Unit (RMU) is responsible for overall monitoring, control, and reporting of market risk while Treasury Mid Office is an integral part of market risk management which independently evaluates and monitors treasury department's transaction from risk perspective. Overall risk parameters and exposures of the bank are monitored by RMU and periodically reported to Bank Risk Management Committee (BRMC). Market risk can be subdivided into three categories depending on risk factors: Interest Rate Risk, Foreign Exchange Risk, and Equity Price Risk.

Interest rate risk is the risk to earnings or capital of the bank arising from movement of interest rates. The movement of interest rates affects bank's reported earnings and capital by changing:

- Net interest income
- The market value of trading accounts (and other instruments accounted for by market value), and
- Other interest sensitive income and expenses



To manage interest rate risk, ALCO regularly monitors various ratios and parameters. Bank deploys several analysis techniques (e.g. Rate Sensitive Gap Analysis, Duration Gap Analysis) to measure interest rate risk, its impact on Net Interest Income and takes insight about course of actions.

### **Operational Risk**

Operational Risk Unit under Internal Control & Compliance Division (ICCD) is primarily responsible for risk identification, measurement, monitoring, control, and reporting of operational risk. Internal Control (audit) Unit of ICCD also conducts risk-based audit at departmental and branch level throughout the year. Besides, 'Bank Risk Management Committee' (BRMC) which reports to MD & CEO also plays a supervisory role.

Operational risks are analyzed through review of Departmental Control Function Check List (DCFCL). This is a self-assessment process for detecting high risk areas and finding mitigates of those risks. These DCFCLs are then discussed in monthly meeting of BRMC.

### **Information and communication technology risk**

The bank has a comprehensive IT security policy and procedures which are formally documented and endorsed by competent authority. To prevent attack from cyber criminals/fraudsters IT division (hereinafter IT) has established standard physical & environmental security measures to all sensitive areas e.g. data centre, Disaster Recovery (DR) site, power rooms, server rooms etc. IT has standard logical security measures e.g. access card, password protected Server, access log, measuring device logs, periodic testing results, etc. to all core devices i.e. server, PC etc., connecting devices i.e. switch, router etc., security devices i.e. firewall, IDS etc., all applications i.e. core banking system, antivirus, firewall, VPN, utilities etc., databases, networks and others. IT has standard design and practice in network connectivity, access, build-up, configuration, monitoring, maintenance and security. IT has Business Continuity Management (BCM) to support and handle any human made or natural incident/disaster; moreover, regular backup schedule and retention avoids the risk of data loss based on the criticality of the system.

### **Asset liability risk management**

Asset Liability Management (ALM) especially focuses on "Risk Management". It covers the widest range of the banking activities in day-to-day operation. Introduction of ALM in a bank simply ensures the existence of healthy and prudent asset liability management system in the institute. In the complex banking era, there are so many risk factors any one which is good enough to a negative growth. Therefore, identification of factors and effective control over them are important and essential. Under the ALM system, it is ensured that then senior management would be attentive to balance sheet items for the great interest of the bank. As per Bangladesh Bank guideline, Shimanto Bank Limited has formed a committee of Assets and Liability Management called ALCO (Assets Liability Management Committee).

### **Liquidity risk management**

The risk that bank or business will be unable to meet its commitment as they fall due leading to bankruptcy or rise in funding cost. It is the solvency of business and which has special reference to the degree of readiness in which assets can be converted into cash without loss. Banks traditionally use the statutory liquidity reserve and their borrowing capacity in the volatile interbank money market as the source of liquidity. But a conscious approach to measure and monitor the liquidity is somewhat lacking in our market. We can learn and draw immense benefit by sharing the best practices, tools and techniques of liquidity management. Liquidity Risk arises from funding of long term assets by short term liabilities, thereby making the liabilities subject to rollover or refinancing Risk.

**Interest rate risk management**

Interest rate risk is the exposure of a bank's financial condition to adverse movements in interest rates. Accepting this risk is a normal part of banking and can be an important source of profitability and shareholder value. However, excessive interest rate risk can pose a significant threat to a bank's earnings and capital base. Changes in interest rates affect a bank's earnings by changing its net interest income and the level of other interest-sensitive income and operating expenses. Changes in interest rates also affect the underlying value of the bank's assets, liabilities and off-balance sheet instruments because the present value of future cash flows (and in some cases, the cash flows themselves) change when interest rates change. Accordingly, an effective risk management process that maintains interest rate risk within prudent levels is essential to the safety and soundness of banks.

**Operation risk management**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal process, people and system or from external event. It is relatively difficult to identify or assess level of operational risk and its many sources. Shimanto Bank has established an effective operational risk management framework to mitigate the risk through strengthening the internal control (process and system), setting rules and procedures with the changed scenario, maintaining adequate clarification & documentation and establishing anti-fraud mechanism. Continuous actions are also being taken against damage of physical assets and avoid business disruption and system failure.

**Internal control and compliance risk management**

Internal Control refers to the mechanism in place on a permanent basis to control the activities in an organization. In absence of it risks resulting in unexpected losses caused by faulty internal processes, human errors, frauds & forgery, technology failure and documentary lapses may surface. The primary objectives of internal control system are to help the bank perform better through the use of its resources, identify its weaknesses, take appropriate measures to overcome the same and ensure compliance with regulatory framework including applicable laws and regulations.

The bank has set up Internal Control & Compliance (IC&C) Division at Head Office to ensure that the internal control processes are in place through establishment of Audit Committee as per the instructions of Bangladesh Bank, which reviews the internal and external audit reports and ensures that the management takes effective measures in case of any deficiency/ lapse is found in the internal control system. The bank has introduced 'Risk Based Internal Audit (RBIA)' to assess the business risk as well as control risk associated with the branches, and determines how much follow up, monitoring & periodicity of internal audit would be required to bring a particular branch back to normalcy, if it is found that the performance of the branch is not satisfactory, and which may pose a potential threat for the bank.

**Money laundering risk management**

Money Laundering is no more a local or regional issue that cannot be ignored – with the globalization of economy, we are living in a global village and are not immune to others problem. Money laundering & CFT is an issue that affects our nation, business, society and ultimately even the livelihood of individuals. As a member country of Asia Pacific & Egmont Group Bangladesh is committed to comply with the recommendations of Financial Action Task Force (FATF).

Bangladesh has enacted the amended Money Laundering Prevention Act, 2012 & amended Anti-Terrorism Act, 2013 which covers all the international standards and requirements and assigned BFIU of BB to discharge the regulatory responsibility of implementation & monitoring of the AML & CFT activities to keep the financial system of the country safe & compliance. Shimanto Bank Limited (SMBL) is as a compliant & responsible institution committed to the highest standards of Anti-Money Laundering (AML) compliance and adhere to the set rules & declared standards to prevent use of our products and services for money laundering purposes. In addition to the legal compliance, Shimanto Bank Limited considers AML & CFT compliance as part of its social responsibility & commitment.



The SMBL Anti Money Laundering Policy Guidelines which is drafted in line the Bangladesh Bank Guidance notes on Prevention of Money Laundering and Terrorist Financing encompasses the following major issues as part of its AML measures;

- "1. Mandatory maintenance of KYC (Know Your Customer) Forms for all types of accounts
2. Maintenance & monitoring the TP (Transaction Profile) of the accounts/client. Monitoring of unusual/suspicious transaction and report to Bangladesh Bank if required.
3. Submission of Cash Transaction Report (CTR) to Bangladesh Bank as per regulatory requirement.
4. Keeping of records for 05 (five) years from the date of closing of any type of account.
5. Appointment of Compliance Officer in every branch and Chief Compliance Officer at Head Office
6. Adequately train officials on Anti-Money Laundering and Combating Financing of Terrorism.
7. Declared Customer Acceptance Policy.
8. Prohibition of opening of any anonymous or fictitious account.
9. Prohibition of establishing banking relationship with any shell company.
10. Compliance of UN sanction list

For mitigating the risks, the bank has a designated Chief Anti-Money Laundering Compliance Officer (CAMLCO) & Deputy Chief Anti Money Laundering Compliance Officer (DCAMLCO) at Head Office and Branch Anti Money laundering Compliance Officers (BAMLCO) at branches, who independently review the transactions on the accounts to verify suspicious transactions and other AML measures.

#### **Internal audit**

The Bank has established an independent internal audit function with the head of internal control & compliance (ICC) reporting directly to the chairman of audit committee of the Board. The internal audit team performs risk based audit on various business and operational areas of the Bank on continuous basis. The audit committee and the Board regularly review the internal audit reports as well as monitor progress of previous findings.

#### **Prevention of fraud**

Like any other banks and financial institutions, the bank is also exposed to the inherent risk of fraud and hence implemented a number of anti-fraud controls and procedures specifically designed to prevent and detect any material instances of fraud or irregularities. As per the requirement of Bangladesh Bank regular reporting's are made on self-assessment of various anti-fraud controls as well as any incident of fraud and forgeries that have been identified by the Bank. Regular staff training and awareness programs are taken to ensure that all officers and staff of the Bank are fully aware of various fraud risks in their work area and prepared to deal with it.

### **3.14 Preparation of Basel II and Basel III Accord**

#### **Basel II**

Basel II is a new set of international standards & best practices that define the minimum Capital requirement (MCR) of a Bank. This framework has been developed by the Basel Committee on Banking Supervision (BCBS), which is a committee in the Bank for International Settlements (BIS), the world's oldest International Financial organization. BCBS was established in 1974.

Capital adequacy, the regulatory capital prescribes how much capital a bank must have in relation to the size of its risk taking, expressed in the form of risk weighted assets. The Bank's high level of capital adequacy ratio provides its stakeholders, reassurance against unexpected losses. The Basel II principle stands on the following three pillars.



**Pillar-I: Minimum Capital Requirement**

Banks must hold minimum regulatory capital against Credit, Market and Operational Risk inherent with Banking Business. Shimanto Bank Ltd has adopted the following measurement approaches for computing its Capital Adequacy Ratio.

- a. Standardized Approach for Credit Risk,
- b. Basic Indicator Approach for Operational Risk, and
- c. Standardized Approach for Market Risk.

**Pillar-II: Supervisory Review Process (SRP)**

SRP basically deals with other risks faced by a bank but not covered in pillar-1. The key principle of SRP is that banks have a process for assessing overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital at an adequate level. The assessment of adequate capital would be the outcome of the dialogue to be held between the bank's SRP and Bangladesh Bank's SREP team. Following Risk has to be assessed for Adequate Capital Requirement under ICAAP as per Bangladesh Bank Guideline:

- a. Residual Risk
- b. Concentration Risk
- c. Liquidity Risk
- d. Reputation Risk
- e. Strategic Risk
- f. Settlement Risk
- g. Evaluation of Core Risk Management
- h. Environmental & Climate Change Risk
- i. Other material risks

**Pillar-III: Market Discipline**

The objective of Market Discipline in (Basel-II) is to establish more transparent and more disciplined financial market so that stakeholders can assess the position of a bank regarding holding of assets and to identify the risks relating to the assets and capital adequacy to meet probable loss of assets. For the said purpose, this "Disclosures on Risk Based Capital (Basel II)" is made as per Bangladesh Bank's Guideline.

**Basel III**

Basel III", developed by the Basel Committee on Banking Supervision and published in December 2010, is a comprehensive set of reform measures including that of Basel II, to strengthen the regulation, supervision and risk management of the banking sector. These measures aim to:

- a) Improve the banking sector's ability to absorb shocks arising from financial and economic stress
- b) improve risk management and governance
- c) strengthen banks' transparency and disclosures.

**Shimanto Bank initiatives to ensure adequate capital include the following:**

- a) Consistently encouraging corporate clients to complete external credit rating to assess counterparty Credit Risk status, and to reduce capital requirements.
- b) Improving and enhancing eligible collateral, by way of collateral optimization.



- c) Assessment of risk profile and credit rating of new clients.
- d) CAR is periodically reviewed and assessed in Shimanto Bank Limited by the Risk Management Unit (RMU), and reported to senior management.

#### **Capital Adequacy & Stress Testing**

In order to have a sound and robust banking industry and to make the banks in Bangladesh more shock absorbent as well as to cope with international best practice for risk management, Bangladesh Bank introduced 'Risk Based Capital Adequacy (RBCA) for all Banks effective from January, 2010.

As per Risk Based Capital Adequacy (RBCA) guideline, according to Pillar 1 of Basel II, Risk Weighted Assets (RWA) of Shimanto Banks is calculated against Credit Risk, Market Risk and Operational Risk. Under Pillar 2 in Supervisory Review Process (SRP) Banks deals with other risks faced but not covered in pillar-1. Finally, under Pillar-3 in Market Discipline bank publish its capital adequacy disclosure on regular basis for market participants to establish more transparent and more disciplined financial market so that stakeholders can assess the position of a bank.

The Bank has also implemented Bangladesh Bank approved stress testing framework which forms an integral part of the Bank's Internal Capital Adequacy Assessment Process (ICAAP). Stress testing involves the use of various techniques to assess the Bank's potential vulnerability to extreme but plausible stressed business conditions. The changes in the level of credit risk, market risk, liquidity risk and Interest Rate Risk in the Banking Book (IRRBB), in the on and off balance sheet positions of the Bank, is assessed under assumed "stress" scenarios. Typically, this relates, among other things, to the impact on the Bank's profitability and capital adequacy. Stress Tests are conducted on a quarterly basis and the stress test results are put up to the Board quarterly, for their review and guidance.

### **3.15 Events after the reporting period**

- a) The Board of Directors in their meeting held on 28 May 2020 has recommended stock dividend of BDT 0.40 per share of Taka 10 each aggregating to Taka 160 million for the year ended 31 December 2019 subject to approval of the shareholders in the Annual General Meeting schedule to be held on 29 June 2020.

The financial statements for the year ended 31 December 2019 do not include the effect of these dividends which will be accounted for in the period when shareholders' right to receive payment is established.

- b) The COVID-19 outbreak, a global Pandemic declared by World Health Organization (WHO), has developed rapidly in 2020, with a significant number of infections across the world and in Bangladesh. The COVID-19 outbreak has created devastating effect on local and global trades, commerce and industry with consequential implications on financial reporting by affected entity. Various measures taken by the Government of Bangladesh to contain the virus have affected economic activities of the Bank and its business in various significant ways including the followings:
  - (i) Lockdown has resulted in significant fall in economic activities which has adversely impacted the Bank's regular business;
  - (ii) Due to government measures taken, the Bank has to scale down its activities since 12-04-2020 in the Head Office as well as all the Branches in accordance with DOS (G)/1151/50/2020-Ka-19(1);
  - (iii) Loan installment holiday/moratorium until 30 June 2020 proclaimed by Bangladesh Bank through BRPD Circular No-04 has affected the Bank's earnings significantly;
  - (iv) Waiver of credit card fees, charges and accrued interest through BRPD Circular Letter No-20 from 15-03-2020 to 31-05-2020 has an obvious downside impact ; and

(v) The imminent adverse impacts on future cash flows resulting from lower sale/demand of products or services of many invested companies' businesses are quite obvious. Therefore, timely recovery of a number of loans might be at risk.

Also, Bangladesh Bank has recently issued a BRPD Circular No-03 dated on 24-02-2020 demonstrating the rationale behind reduction of loan interest rate to 9% except credit card interest rate which has substantial impact on our Bank's operating result.

As a result of these effects, our cumulative interest income in the last two (2) months (March and April) of 2020 was approximately 15% and 30% respectively lower than the income the Bank should have in the ordinary course of business and the loan recovery in the last two (2) months (March and April) of 2020 was approximately 4% and 12% respectively lower than loan recovery the Bank should have in the ordinary course of business. The Bank's operating results have also been declined significantly in 2020 due to this fearsome pandemic.

However, the Bank is still fine to cope with the crisis by itself with its existing financial health. Huge amount of highly liquid assets, trusted business debtors, very low NPL ratio and surplus cash also have given the Bank's cash flow base a healthy state to fight back with these rainy days. Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Bank may experience further negative results in 2020. The exact impact on our activities in the remainder of 2020 and thereafter cannot be predicted at this moment. We also refer to note 3.16: Implications of COVID-19 on business.

However, all other material events after the reporting period have been considered and appropriate adjustments/disclosures have been made in the financial statements as per IAS 10 'Events after the Reporting Period'.

#### **Implications of COVID 19 on business**

The COVID-19 outbreak has developed rapidly in 2020. As explained in note 3.15: Subsequent events, various measures taken by the Government of Bangladesh to contain the virus have negatively affected the Bank's results and in the last two months (March and April) of 2020 the Bank has reported cumulative losses of Taka 750 million. The currently known impacts of COVID-19 on the Bank are:

- (i) A decline in interest revenues in the last two (2) months (March and April) of 2020 compared to as it should have in the regular course of business 15% and 30% respectively;
- (ii) The Bank also reported a decline in loan recovery in the last two (2) months (March and April) of 2020 compared to as it should have in the regular course of business 4% & 12% respectively;
- (iii) Limiting banking operating hours from 8 am to 3.30 pm since 12-04-2020 through circular DOS (G)/1151/50/2020-Ka-19(1). Hence, the Bank's operating results have also been declined significantly;
- (iv) Loan installments holiday/moratorium on loan payments proclaimed by Bangladesh Bank through BRPD Circular No-04 until 30 June 2020 has affected unfavorably on the Bank's earnings;
- (v) Credit card fees, charges and accrued interest waiver from 15-03-2020 to 31-05-2020 declared through BRPD Circular Letter No-20 have adversely affected on Bank's earnings;
- (vi) Forced shut down of business enterprise and also consumers being placed under quarantine or lockdown has adversely impacted on the Bank's regular business; and



- (vii) Adverse impacts on future cash flows resulting from lower sale/demand of products or services of many invested companies' businesses are quite obvious. Therefore, timely recovery of a number of loans might be at risk.

Also, Bangladesh Bank has recently issued a BRPD Circular No-03 dated on 24-02-2020 demonstrating the rationale behind reduction of loan interest rate to 9% except credit card interest rate which has substantial impact on our Bank's operating result.

However, the COVID-19 virus can evolve in various directions. If society, and as a consequence business, is exposed to COVID-19 for a longer period of time, this may result in prolonged negative results and pressure on our liquidity. However, Bangladesh Bank has taken various measures to keep the banks alive e.g. CRR for the bank has been reduced by 1.5% through MPD circular number: 03 dated 9th April, 2020 and AD ratio is allowed to highest 87% instead of 85% through DOS Circular number 02 dated: 12th April 2020.

This will add some liquidity to our Bank. Also, Management assessment on their current loan portfolio depicts that majority of the borrowers are unclassified as per the recent BRPD circular 04, Dated 19th March, 2020. Further, the management has already taken and will take a number of measures to monitor and prevent the further effects of the COVID-19. This includes safety and health measures for the employees like social distancing and working from home. As of 31st March 2020, the Bank's loan to deposit ratio is 64.67%, NPL is 0.10% to total loan which gives a strong stance to fight back the current crisis.

Furthermore, the management is continuously monitoring and investigating the Bank's capital adequacy ratio and NPL to total loan ratio and is confident enough to undertake all crisis management and business continuity measures. COVID-19 has also been addressed under the area of principal risk and uncertainties at entity level and reported in the Director's report. The Management has analysed the possible impact and also taken reasonably adequate mitigating measures in response. Upon a rigorous review and an assessment of the levels of facilities expected to be available to the Bank, the management strongly believes that the Bank has adequate resources for a period of at least 12 months from the date (20 May 2020) of signing the financials.

So, based on the facts and circumstances known at this moment, the management believes there is no material uncertainty that may cast any doubt upon the Bank's ability to continue as a going concern and hence, whilst uncertain, we do not believe, however, that the impact of the COVID-19 virus would have a material adverse effect on our financial condition or liquidity.

### **3.17 Related party disclosures**

#### **A party is related to the company if:**

- (i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the company; has an interest in the company that gives it significant influence over the company; or has joint control over the company;
- (ii) the party is an associate or a joint venture;
- (iii) the party is a member of the key management personnel of the Company or its parent;
- (iv) the party is a close member of the family of any individual referred to in (i) or (iv);
- (v) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vi) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the company.



**3.18** Compliance of International Accounting standards (IASs) and International Financial Reporting Standards (IFRSs)

The Bank has complied the following IASs & IFRSs as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) during the preparation of financial statements as at and for the year ended 31 December 2018.

Sl#	IAS #	IAS Title	Compliance Status
1	1	Presentation of Financial Statements	Complied **
2	2	Inventories	Complied
3	7	Statement of Cash Flows	Complied
4	8	Accounting Policies, Changes in Accounting Estimates and Errors	Complied
5	10	Events after the Balance Sheet Date	Complied
6	11	Construction Contracts	Not Applicable
7	12	Income Taxes	Complied
8	16	Property, Plant & Equipment	Complied
9	17	Leases	Complied
10	18	Revenue	Complied
11	19	Employee Benefits	Complied
12	20	Accounting for Government Grants and Discloser of Government Assistance	Not Applicable
13	21	The Effects of Changes in Foreign Exchanges Rates	Complied
14	23	Borrowing Costs	Complied
15	24	Related Party Disclosures	Complied
16	26	Accounting and Reporting by Retirement Benefit Plans	Not Applicable
17	27	Consolidated and Separate Financial Statements	Not Applicable
18	28	Investment in Associates	Not Applicable
19	31	Interest in Joint Venture	Not Applicable
20	32	Financial Instruments: Presentation	Complied
21	33	Earnings per Share	Complied
22	34	Interim Financial Reporting	Not Applicable
23	36	Impairment of Assets	Complied
24	37	Provisions, Contingent liabilities and Contingent Assets	Complied
25	38	Intangible Assets	Complied
26	39	Financial Instruments: Recognition and Measurement	Not Applicable
27	40	Investment Property	Not Applicable
28	41	Agriculture	Not Applicable



Sl#	IFRS#	IFRS Title	Compliance Status
1	1	First-time Adoption of International Financial Reporting Standards	Not Applicable
2	2	Share-based Payment	Not Applicable
3	3	Business Combinations	Not Applicable
4	4	Insurance contracts	Not Applicable
5	5	Non-Current Assets Held for Sale and Discontinued Operations	Not Applicable
6	6	Exploration for and Evaluation of Mineral	Not Applicable
7	7	Financial Instruments: Disclosures	Complied **
8	8	Operating Segments	Not Applicable
9	9	Financial Instruments: Recognition and Measurements	Complied **
10	10	Consolidated Financial Statements	Not Applicable
11	11	Joint Arrangements	Not Applicable
12	12	Disclosure of Interest in other Entities	Not Applicable
13	13	Fair Value Measurement	Complied
14	15	Revenue from Contracts with Customers	Complied

\* Subject to departure disclosed in note no. 2.1

\*\* In order to comply with certain specific rules and regulations of the Central Bank (Bangladesh Bank) which are different from IAS/IFRS, some of the requirements specified in these IAS/IFRSs are not applied.

### 3.19 Standard issued and effected but not adopted: IFRS 16 Leases

IFRS 16 eliminates the current operating/financing lease dual accounting model for leases. Instead, there is a single, on-balance sheet accounting model, similar to current finance lease accounting. Issued in January 2016, the new IFRS has replaced the existing guidance in IAS 17 Leases. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Early adoption is permitted if IFRS 15 is also adopted. However, the Bank is currently assessing the potential impact of IFRS 16 on its financial statements as it has got multiple dimensions including Risk Weighted Assets (RWA), CRR & SLR and proviso of immovable property. The management is committed to comply with IFRS 16 from coming financial year.

### 3.20 Approval of financial statements

The financial statements were reviewed and subsequently approved by the Board of Directors in its 36<sup>th</sup> Board Meeting on 28 May, 2020.

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		31.12.2019 Taka	31.12.2018 Taka
<b>4. Cash</b>			
Cash in hand (including foreign currency)	(Note: 4.1)	207,118,595	195,284,520
Balance with Bangladesh Bank and its agent bank(s) (including foreign currency)	(Note: 4.2)	670,107,004	694,955,357
		<b>877,225,599</b>	<b>890,239,877</b>
<b>4.1 Cash in hand</b>			
In local currency		205,440,513	194,016,651
In foreign currency		1,678,082	1,267,869
		<b>207,118,595</b>	<b>195,284,520</b>

Cash in hand represents the amount under impress system of petty cash to meet daily petty cash expenses requirement both for Head office and branch offices.

**4.2 Balance with Bangladesh Bank and its agent bank(s)**

Balance with Bangladesh Bank

In local currency	667,913,747	680,233,123
In foreign currency	2,193,257	14,722,234
	<b>670,107,004</b>	<b>694,955,357</b>

Balance with Bangladesh Bank has been maintained as Cash Reserve Requirement (CRR) of Bangladesh Bank through non-interest bearing current account.

**4.3 Statutory deposits**

Conventional Banking

Cash Reserve Requirement and Statutory Liquidity Ratio

Cash reserve requirement and statutory liquidity ratio have been calculated and maintained in accordance with section 33 of the Banking Companies Act 1991 (Amendment up to 2013), Bangladesh Bank's MPD circular no. 05 dated 01 December 2010, MPD circular no. 01 dated 23 June 2014 and DOS circular no. 01 dated 19 January 2014.

The statutory cash reserve requirement is on the Bank's time and demand liabilities as per Bangladesh Bank MPD circular no. 01 dated 03 April, 2018 at the rate of 5.50% and has been calculated and maintained with Bangladesh Bank in current account while statutory liquidity ratio of 13.00% is required, on the same liabilities is also maintained in the form of treasury bills, bonds and debentures including foreign currency balance with Bangladesh Bank. Both the reserves are maintained by the Bank in excess of the statutory requirements, as shown below:

(a) Cash Reserve Requirement (CRR)

As per Bangladesh Bank MPD Circular No. 01 dated 23 June 2014, the Bank has to maintain CRR @ 5.50% on fortnightly cumulative average basis and minimum CRR @ 5.00% on daily basis.

**Bi-weekly as on the reporting date**

Required reserve (5.50% of total time & demand liabilities)	545,777,000	349,098,321
Actual reserve maintained	627,500,425	671,657,021
<b>Surplus</b>	<b>81,723,425</b>	<b>322,558,700</b>



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	31.12.2019 Taka	31.12.2018 Taka
<b>Daily Position as on the reporting date</b>		
Required reserve (5.00% of total time & demand liabilities)	496,161,000	317,362,110
Actual reserve maintained	627,500,425	671,657,021
<b>Surplus</b>	<b>131,339,425</b>	<b>354,294,911</b>
<b>(b) Statutory Liquidity Ratio (SLR)</b>		
Required reserve (13% of total time & demand liabilities)	1,290,018,000	825,141,486
Actual reserve maintained	1,524,910,506	992,672,011
<b>Surplus</b>	<b>234,892,506</b>	<b>167,530,525</b>
As per Bangladesh Bank MPD circular no. 05 dated 01 December 2010, MPD circular no. 01 dated 23 June 2014, Bangladesh Bank DOS circular no. 01 dated 19 January 2014 and circular no-MPD circular no-01 date 03 April 2018, all scheduled Banks have to maintain CRR and SLR @ 5.50% and @ 13.00% respectively of their total time and demand liabilities on bi-weekly average basis, where the Bank maintained @ 6.32% and @ 15.64% respectively at the year end.		
<b>(c) Components of Statutory Liquidity Ratio (SLR)</b>		
Cash in hand	207,118,594	195,282,814
Balance with Sonali Bank Limited	38,302,343	18,331,358
Excess reserve of CRR (5.50% of bi-weekly)	81,723,425	322,558,700
HTM securities	756,955,248	456,402,840
HFT securities	440,489,496	-
Other eligible security	321,400	96,300
	<b>1,524,910,506</b>	<b>992,672,011</b>
<b>4.4 Maturity grouping of cash</b>		
On demand	877,225,599	890,239,877
Upto 1 month	-	-
Over 1 month but not more than 3 months	-	-
Over 3 month but not more than 6 months	-	-
Over 6 month but not more than 1 year	-	-
Over 1 year but not more than 5 years	-	-
Over 5 years	-	-
	<b>877,225,599</b>	<b>890,239,877</b>
<b>5. Balance with other banks and financial institutions</b>		
In Bangladesh (Note: 5.1)	614,288,229	431,298,825
Outside Bangladesh (Note: 5.2)	21,758,231	27,318,124
	<b>636,046,460</b>	<b>458,616,949</b>
<b>5.1 In Bangladesh</b>		
<b>Special Notice Deposits</b>		
<b>Bank Name</b>		
AB Bank Limited	521,279	10,429,619
Trust Bank Limited	436,363	436,363
Trust Bank Limited (Q Cash Account)	3,025,597	1,637,432
Eastern Bank Ltd	609,431,764	410,930,538
Eastern Bank Ltd (VISA Settlement Account)	794,478	784,642
Agrani Bank Limited, Pragpur	4,390	-
Sonali Bank Limited (outside Dhaka)	55,472	7,039,907
Sonali Bank Limited, Local Office	18,886	40,324
	<b>614,288,229</b>	<b>431,298,825</b>



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	31.12.2019 Taka	31.12.2018 Taka
<b>5.2 Outside Bangladesh</b>		
Habib American Bank	16,111,599	25,676,062
Axis Bank ACU	3,689,060	1,022,505
United Bank of India	1,957,572	619,556
	<b>21,758,231</b>	<b>27,318,124</b>
<b>5.3 Account-wise/grouping of balance with other banks and financial institutions</b>		
Current deposits	24,858,186	36,035,787
Savings deposits	-	-
Short-Notice Deposits	611,183,884	422,581,162
Fixed deposits	-	-
	<b>636,042,070</b>	<b>458,616,949</b>
<b>5.4 Maturity grouping of balance with other banks and financial institutions</b>		
Repayable – on demand	-	-
– up to 3 months	614,288,229	458,616,949
– over 3 months but below 1 year	-	-
– over 1 year but below 5 years	-	-
– over 5 years	-	-
	<b>614,288,229</b>	<b>458,616,949</b>
<b>6. Money at call on short notice</b>		
In Bangladesh	3,700,000,000	3,000,000,000
Outside Bangladesh	-	-
	<b>3,700,000,000</b>	<b>3,000,000,000</b>
<b>6.1 In Bangladesh</b>		
<b><u>At short notice</u></b>		
<u>With banking companies</u>		
The Premier Bank Ltd	600,000,000	200,000,000
Eastern Bank Ltd	-	250,000,000
Dhaka Bank Ltd.	-	200,000,000
Mercantile Bank Limited	200,000,000	-
Jamuna Bank Limited	600,000,000	-
Standard Bank Limited	300,000,000	-
	<b>1,700,000,000</b>	<b>650,000,000</b>
<u>With non-banking financial institutions</u>		
IPDC Finance Ltd.	500,000,000	500,000,000
IDLC Finance Ltd.	200,000,000	200,000,000
United Finance Ltd.	-	-
Delta Brac Housing Finance Corporation	300,000,000	500,000,000
LankaBangla Finance Ltd.	600,000,000	550,000,000
IIDFC Ltd.	400,000,000	500,000,000
Union Capital Ltd.	-	100,000,000
Phoenix Finance & Investment Ltd.	-	-
	<b>2,000,000,000</b>	<b>2,350,000,000</b>
	<b>3,700,000,000</b>	<b>3,000,000,000</b>



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		31.12.2019 Taka	31.12.2018 Taka
<b>6.2 Maturity grouping of money at call on short notice</b>			
On demand		-	-
Upto 1 month		1,000,000,000	-
Over 1 month but not more than 3 months		2,700,000,000	2,550,000,000
Over 3 month but not more than 6 months		-	200,000,000
More than 6 months but less than 1 year		-	-
More than 1 year but less than 5 years		-	250,000,000
More than 5 years		-	-
		<b>3,700,000,000</b>	<b>3,000,000,000</b>
<b>7. Investments</b>			
Government securities	(Note: 7.1)	1,197,812,184	456,499,140
Other investments	(Note: 7.2)	554,994,942	305,000,000
		<b>1,752,807,126</b>	<b>761,499,140</b>
<b>7.1 Government securities</b>			
Treasury bills	(Note: 7.1.1)	440,750,632	-
Treasury bonds	(Note: 7.1.2)	756,740,152	456,402,840
Prize bonds		321,400	96,300
		<b>1,197,812,184</b>	<b>456,499,140</b>
<b>7.1.1 Treasury Bills</b>			
28 days Treasury Bills		99,802,200	-
30 days Treasury Bills		-	-
91 days Treasury Bills		149,636,432	-
182 days Treasury Bills		98,513,200	-
364 days Treasury Bills		92,798,800	-
		<b>440,750,632</b>	<b>-</b>
<b>7.1.2 Treasury Bond</b>			
2 years treasury bond		-	20,008,454
05 years treasury bond		97,819,929	41,560,534
10 years treasury bond		352,984,634	256,141,407
15 years treasury bond		235,371,504	66,971,976
20 years treasury bond		70,564,085	71,720,468
		<b>756,740,152</b>	<b>456,402,840</b>
<b>7.1.2 Investment in securities are classified as per Bangladesh Bank Circular</b>			
<b>Held for Trading (HFT)</b>			
10 years Bangladesh Government Treasury Bond		-	-
15 years Bangladesh Government Treasury Bond		-	-
20 years Bangladesh Government Treasury Bond		-	-
		<b>-</b>	<b>-</b>
<b>Held to Maturity (HTM)</b>			
2 years Bangladesh Government Treasury Bond		-	20,008,454
05 years Bangladesh Government Treasury Bond		97,819,929	41,560,534
10 years Bangladesh Government Treasury Bond		353,088,235	256,141,407
15 years Bangladesh Government Treasury Bond		235,371,504	66,971,976
20 years Bangladesh Government Treasury Bond		70,675,581	71,720,468
		<b>756,955,248</b>	<b>456,402,840</b>
		<b>756,955,248</b>	<b>456,402,840</b>

As per DOS Circular NO. 01 dated 19 January 2014, the maximum limit of holding approved Securities under Held to Maturity (HTM) is 110% of SLR for all nonprimary dealer banks and Shimanto Bank Limited has invested in Treasury bonds under HTM category as per said circular.

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		31.12.2019 Taka	31.12.2018 Taka
<b>7.2 Other investments</b>			
Investments in Share	(Note 7.2.1)	55,000,000	55,000,000
Investment in Zero Coupon Bond		99,994,942	-
Investments in Commercial Paper		400,000,000	250,000,000
		<b>554,994,942</b>	<b>305,000,000</b>
<b>7.2.1 Investments in shares</b>			
Quoted (Publicly Traded)		-	-
Unquoted (Star Ceramics)		55,000,000	55,000,000
		<b>55,000,000</b>	<b>55,000,000</b>
<b>7.3 Over 6 months but below 1 year</b>		-	-
Over 1 year below 5 years		154,994,942	55,000,000
Over 5 years		-	-
		<b>154,994,942</b>	<b>55,000,000</b>
<b>8. Loans and advances</b>			
Loans, cash credits, overdrafts etc	(Note: 8.1)	7,173,461,524	5,835,300,077
Bills purchased and discounted		-	-
		<b>7,173,461,524</b>	<b>5,835,300,077</b>
<b>8.1 Loans, cash credits, overdrafts etc</b>			
Loans		5,497,675,694	4,662,400,138
Overdrafts		1,675,785,830	1,172,899,939
Cash credits		-	-
		<b>7,173,461,524</b>	<b>5,835,300,077</b>
<b>8.1.1 Maturity grouping of loans and advances</b>			
Repayable – on demand		1,675,785,830	1,172,899,939
– upto 3 months		-	-
– over 3 months but below 1 year		-	-
– over 1 year but below 5 years		5,497,675,694	4,662,400,138
– over 5 years		-	-
		<b>7,173,461,524</b>	<b>5,835,300,077</b>
<b>8.1.2 Broad category-wise breakup</b>			
Loans		5,497,675,694	4,662,400,138
Overdrafts		1,675,785,830	1,172,899,939
		<b>7,173,461,524</b>	<b>5,835,300,077</b>



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	31.12.2019 Taka	31.12.2018 Taka
<b>8.1.3 Product wise Loans and Advances</b>		
Overdraft	1,675,785,830	1,172,899,939
Time loan	501,417,315	790,476,123
Term loan	4,937,563,898	3,843,271,145
Staff Loan	58,694,481	28,652,870
	<b>7,173,461,524</b>	<b>5,835,300,078</b>
<b>8.1.4 Net loans and advances</b>		
Gross loans and advances	7,173,461,524	5,835,300,078
Less: Provision for loans and advances	85,428,447	73,808,624
	<b>7,088,033,077</b>	<b>5,761,491,454</b>
<b>8.1.5 Securities against loans</b>		
<b>a. Secured</b>		
Collateral of movable / immovable assets	440,550,581	165,064,115
Cash collateral	-	-
Local Banks & Financial Institutions guarantee	-	-
Foreign Banks Guarantee	-	-
Export documents	-	-
Government Guarantee	-	-
Fixed Deposits Receipts		
Own FDR	78,639,371	117,386,609
FDR of Other Banks	-	-
Personal Guarantee	425,343,700	1,251,455,957
Other Securities	5,711,273,931	4,277,719,026
Government bonds	508,848,263	-
	<b>7,164,655,846</b>	<b>5,811,625,706</b>
<b>b. Unsecured</b>	<b>8,805,679</b>	<b>23,674,371</b>
	<b>7,173,461,524</b>	<b>5,835,300,078</b>
<b>8.1.6 Loans and advances on the basis of significant concentration</b>		
a) Loans and advances to the institutions in which Directors have interest	-	-
b) Loans and advances to Chief Executive and other senior executives	55,746,833	3,187,510
c) Loans and advances to customer groups:		
i) Real estate finance	141,921,490	49,772,700
ii) Car loan	8,339,011	6,414,402
iii) Personal loan	139,622,770	225,919,849
iv) Loan against deposits (LAD)	584,284,696	-
v) Small and medium enterprises	84,851,946	96,368,463
vi) Special program loan (Bangladesh Bank refinancing scheme)	-	-
vii) Staff loan	18,326,684	28,652,870
viii) Industrial loans, advances and leases	-	-
ix) Other loans and advances	4,376,367,942	3,600,152,623
d) Details of industrial loans and advances		
1) Trade and commerce	-	30,491,810
2) Industries		
i) Garments and knitwear	-	-
ii) Textile	-	-
iii) Jute and jute -products	-	-
iv) Food production and processing industry	74,710,880	-
v) Plastic industry	-	-
vi) Leather and leather goods	-	-



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	31.12.2019 Taka	31.12.2018 Taka
vii) Iron, steel and engineering	-	-
viii) Pharmaceuticals and chemicals	-	-
ix) Cement and allied industry	-	-
x) Telecommunication and IT	-	-
xi) Paper, printing and packaging	-	-
xii) Glass, glassware and ceramic industry	-	-
xiii) Ship manufacturing industry	-	-
xiv) Electronics and electrical products	154,503,262	149,712,298
xv) Power, gas, water and sanitary service	516,766,102	257,735,509
xvi) Transport and aviation	-	-
3) Agriculture	1,295,207	488,329
4) Housing	375,713,543	-
5) Others	-	-
i) Loan to subsidiaries companies	-	-
ii) Others	641,011,157	1,386,403,715
	<b>7,173,461,524</b>	<b>5,835,300,078</b>
<b>8.1.7 Particulars of Loans and advances</b>		
(i) Loans considered good in respect of which the Bank is fully secured	5,274,767,637	3,813,730,429
(ii) Loans considered good against which the Bank holds no security other than the debtors' personal guarantee	425,343,700	1,251,455,957
(iii) Loans considered good and secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	-	-
(iv) Loan adversely classified for which no provision is created	-	-
(v) Loans due by directors or officers of the Bank or any of them either separately or jointly with any other persons	-	-
(vi) Loans due from companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in case of private companies, as members	-	-
(vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the Bank or any of them either separately or jointly with any other persons [note 8.1.10 (a)]	58,694,481	3,187,510
(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members	-	-
(ix) Due from other banking companies	-	-
(x) Information in respect of classified loans and advances:	-	-
(a) Increase/(decrease) of provision (specific)	7,601,900	35,953,680
(b) Amount of loan written off	-	-
(c) Amount realised against loan previously written off	-	-
(d) Provision kept against loans classified as bad/loss on the date of preparing the balance sheet	31,178,639	65,030,349
(e) Interest creditable to interest suspense account	-	-
(xi) Written off loan:	-	-
During the year	-	-
Cumulative to-date (as per Bangladesh Bank guidelines)	-	-
Cumulative to-date (in amicable settlement)	-	-
The amount of written off loans for which laws suits have been filed for its recovery	-	-



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	31.12.2019 Taka	31.12.2018 Taka
<b>8.1.8 Advances to customers for more than 10% of Bank's total capital</b>		
Total capital of the Bank	4,000,000,000	4,000,000,000
Number of clients	5	1
Amount of outstanding advances	1,221,160,581	374,836,830
Amount of classified advances	-	-
Measures taken for recovery	-	-
<b>8.1.9 Industry-wise loans and advances</b>		
Working capital	729,404,600	929,776,753
Others	262,784,107	61,121,584
	<b>992,188,707</b>	<b>990,898,337</b>
<b>8.1.10 Geographical location-wise (division) distribution</b>		
<b><u>In Bangladesh</u></b>		
<b><u>Urban Branches</u></b>		
Dhaka	4,568,340,580	4,174,701,315
Chittagong	1,178,645,396	925,582,470
Khulna	322,918,490	267,157,354
Mymensingh	261,958,227	-
Sylhet	107,425,917	15,055,587
Barisal	-	-
Rajshahi	-	35,950,616
Rangpur	144,543,829	-
	<b>6,583,832,438</b>	<b>5,418,447,342</b>
<b><u>Rural Branches</u></b>		
Dhaka	-	-
Chittagong	554,173,983	416,852,736
Khulna	7,459,587	-
Mymensingh	27,995,516	-
Sylhet	-	-
Barisal	-	-
Rajshahi	-	-
Rangpur	-	-
	<b>589,629,086</b>	<b>416,852,736</b>
<b><u>Outside Bangladesh</u></b>		
	-	-
	<b>7,173,461,524</b>	<b>5,835,300,078</b>
<b>8.1.11 Classification of loans and advances</b>		
<b><u>Unclassified</u></b>		
Standard	7,137,556,346	5,799,463,096
Special Mention Account	4,726,539	30,265,188
	<b>7,142,282,885</b>	<b>5,829,728,284</b>
<b><u>Classified</u></b>		
Sub-Standard	29,128,909	4,454,837
Doubtful	585,513	188,583
Bad/Loss	1,464,217	928,374
	<b>31,178,639</b>	<b>5,571,794</b>
	<b>7,173,461,524</b>	<b>5,835,300,078</b>

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		31.12.2019 Taka	31.12.2018 Taka
<b>9. Fixed assets including premises, furniture and fixtures</b>			
Freehold assets	(Note: 9.1)	284,171,323	102,580,119
Intangible assets	(Note: 9.2)	17,623,587	26,867,934
		<b>301,794,910</b>	<b>129,448,053</b>
<b>9.1 Freehold assets</b>			
<b>A. Cost</b>			
Opening Balance		146,248,963	94,916,644
Add : Addition during the year		216,963,926	51,332,319
		363,212,888	146,248,963
Less: Sales/ disposal during the year		-	-
		363,212,888	146,248,963
<b>B. Accumulated depreciation</b>			
Opening Balance		43,668,843	16,008,351
Add : Charged during the year		35,372,722	27,660,492
		79,041,565	43,668,843
Less: Adjusted during the year		-	-
		79,041,565	43,668,843
<b>C. Written down value Total (A-B)</b>		<b>284,171,323</b>	<b>102,580,119</b>
<b>9.2 Intangible assets</b>			
Opening Balance		26,867,934	34,797,634
Add: Addition during the year		448,906	8,125,000
		27,316,840	42,922,634
Less : Amortized during the year		9,693,253	16,054,700
		<b>17,623,587</b>	<b>26,867,934</b>
A schedule of fixed assets is given in <b>Annexure-A</b>			
<b>10 Other Assets</b>			
<b>Income generating</b>			
Income receivable on investment		37,264,845	15,517,978
Interest receivable from calls and placements		74,236,264	50,844,097
Interest receivable on loans & advances		36,954,762	31,679,899
Dividend receivable from preference share		3,143,021	491,563
Interest Receivable on Cards		156,280	-
Shanchaypatra Receivable		7,297,182	5,406,741
		<b>159,052,354</b>	<b>103,940,277</b>
<b>Non-Income generating</b>			
Advance rent		57,557,124	50,405,357
Advance income tax	(Note: 10.1)	133,963,801	72,341,749
Advance VAT		5,136,368	5,896,549
Advance, deposit & prepayments	(Note: 10.2)	23,167,510	66,408,236
Inventory	(Note: 10.3)	1,298,455	1,590,052
Other Receivables		479,216	807,042
		<b>221,602,474</b>	<b>197,448,984</b>
		<b>380,654,828</b>	<b>301,389,261</b>



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	31.12.2019 Taka	31.12.2018 Taka
<b>10.1 Advance income tax</b>		
Opening Balance	72,341,749	35,335,733
Add: Paid during the year	61,622,052	37,006,016
	133,963,801	72,341,749
Less: Adjustment during the year	-	-
	<b>133,963,801</b>	<b>72,341,749</b>
<b>10.2 Advance, deposit &amp; prepayments</b>		
House furnishing allowance	3,866,409	1,854,175
Temporary advance to staff	4,759,720	2,160,809
Prepaid/Deferred Expenses	14,541,382	62,393,253
	<b>23,167,510</b>	<b>66,408,237</b>
<b>10.3 Inventory</b>		
VISA Plastic card	524,370	775,830
Printing Stationary	477,375	398,662
Stamps (Judicial & Non- Judicial)	296,710	415,560
	<b>1,298,455</b>	<b>1,590,052</b>
<b>11. Borrowings from other banks, financial institutions and agents</b>		
In Bangladesh	-	-
Outside Bangladesh	-	-
	<b>-</b>	<b>-</b>
<b>12. Deposit and other accounts</b>		
Current deposits accounts (Note: 12.1)	232,838,204	120,429,304
Bills payables (Note: 12.2)	138,465,723	38,042,735
Savings bank deposit accounts (Note: 12.3)	4,477,148,699	3,762,118,151
Fixed deposit accounts (Note: 12.4)	5,218,669,410	3,007,441,603
Other deposits (Note: 12.5)	46,704,988	54,603,410
	<b>10,113,827,024</b>	<b>6,982,635,204</b>
<b>12.1 Current deposits accounts</b>		
Corporate accounts	83,016,376	24,893,247
SME accounts	145,387,790	93,571,069
Individual	4,434,039	1,964,989
	<b>232,838,204</b>	<b>120,429,304</b>
<b>12.2 Bills payables</b>	<b>138,465,723</b>	<b>38,042,735</b>

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## 12.3 Savings bank deposit accounts

	31.12.2019 Taka	31.12.2018 Taka
Shimanto Sanchay	534,053,494	225,572,463
SMBL SHOPNO	132,057	-
SMBL Staff Salary Account	7,688,755	5,854,265
BGB Payroll Account	143,176,722	109,443,580
SMBL SND Account (Corporate)	3,360,470,508	3,045,536,342
SMBL SND Account (SME)	235,535,104	261,594,770
SMBL Payroll	7,596,258	1,636,628
BGB School Payroll Account	103,331,021	70,775,229
RFCD Account (USD)	2,539,255	559,081
BGB School PF Account	65,308,012	30,630,805
BGB School Gratuity Account	16,166,706	10,113,508
Shimanto Student Account	1,150,808	401,481
	<b>4,477,148,699</b>	<b>3,762,118,151</b>

## 12.4 Fixed deposit accounts

Fixed Deposit -1M -Retail	177,615,639	91,741,994
Fixed Deposit -3M -Retail	207,952,255	278,749,349
Fixed Deposit -6M -Retail	79,838,781	10,389,819
Fixed Deposit -1Year -Retail	97,154,070	172,231,088
Fixed Deposit -2Year -Retail	104,950	100,000
Fixed Deposit -3Year -Retail	200,000	-
Monthly Interest bearing FDR- Asthai Obsor	560,565,000	39,450,650
Fixed Deposit -1M -Corporate	31,645,608	32,161,051
Fixed Deposit -3M -Corporate	901,062,288	943,792,067
Fixed Deposit -6M- Corporate	187,061,267	33,343,000
Fixed Deposit -1Year -Corporate	689,328,328	700,078,749
Fixed Deposit -3Year -Corporate	106,975,000	100,000,000
Special Fixed Deposit for 89 days - Corporate	1,993,638,301	483,400,370
Shimanto DPS	122,231,846	50,243,676
Shimanto Student DPS	1,146,530	34,893
Fixed Deposit -1M -SME	7,000,000	18,000,000
Fixed Deposit -3M -SME	1,506,250	9,057,134
Fixed Deposit -1Year -SME	53,643,298	44,667,763
	<b>5,218,669,410</b>	<b>3,007,441,603</b>

## 12.5 Other deposits

Margin on L/C	4,476,237	26,693,464
Margin on BG Local - Corporate	6,475,844	-
Margin on SG - SME	4,260,147	-
Margin on BG Local - SME	781,263	-
PF Fund	1,647,744	19,486,871
Provision for Gratuity	3,363,227	3,456,597
Advance Fund - Ria	95,290	429,423
OD in Positive Balance	5,308	-
Advance Deposit-Xpress Money	374,180	-
Security Deposit-Xpress Money	421,000	-
Consolidated Prepaid Card Account	1,278,978	1,405,801
Security Deposit Held from Vendor	23,525,770	3,131,255
	<b>46,704,988</b>	<b>54,603,410</b>

## 12.6 Maturity analysis of deposits and other deposits

Repayable – on demand	258,326,333	668,062,490
– within 1 month	1,567,201,985	141,903,045
– over 1 month but within 3 months	2,081,352,658	5,022,130,032
– over 3 months but within 1 year	4,003,423,345	1,000,161,069
– over 1 year but within 5 years	2,001,561,852	139,745,170
– over 5 years	201,960,852	10,633,399
	<b>10,113,827,025</b>	<b>6,982,635,204</b>





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	31.12.2019 Taka	31.12.2018 Taka
<b>12.7 Sector-wise break up of deposits and other accounts</b>		
Autonomous & Semi-Autonomous Bodies	6,231,743,476	4,407,050,164
Other Non-financial Corporations- Private	1,643,751,080	1,383,045,396
Private	2,238,327,161	1,192,539,644
	<b>10,113,821,717</b>	<b>6,982,635,204</b>
<b>13. Other liabilities</b>		
Accumulated provision against loans and advances (Note 13.1)	84,719,554	65,771,115
Provision for current tax (Note 13.2)	219,813,662	105,212,099
Accounts payable -Interest payable	62,170,487	60,190,554
Shanchaypatra payable	1,200,000	26,500,000
ATM settlement (NPSB/Q-Cash) payable	224,200	1,985,100
Accrued expenses	41,225,779	14,993,001
Excise duty payable	9,798,501	7,359,150
Tax payable (At source)	11,495,240	8,594,150
VAT payable	2,350,054	1,961,073
Deferred tax liability (Note 13.3)	779,516	3,016,383
POS settlement account payable	250,174	44,411
BACH clearing charge payable	10,000	21,239
EFTN Outward Adjustment	354,509	20,764
Sundry Creditors	75,156	38,169
VISA settlement account	-	29,290
ATM replenishment GL	4,701,237	-
Provision for off balance sheet items (Note 13.4)	708,893	8,037,509
Payable to SSL for ATM Settlement	218,579	112,223
Payable to ITCL	85,555	21,290
Interest Suspense Account (Note 13.5)	296,314	116,321
CIB Payable	-	-
	<b>440,477,411</b>	<b>304,023,842</b>
<b>13.1 Accumulated provision against loans and advances</b>		
<u>The movement in specific provision for bad and doubtful debts</u>		
Opening balance	1,996,356	-
Fully provided debts written off during the year (-)	-	-
Recovery of amounts previously written off (+)	-	-
Specific provision made during the year (+)	5,605,544	1,996,356
Transferred to general provision of loans and advances (-)	-	-
Transfer from general reserve (+)	-	-
Recoveries and provision no longer required (-)	-	-
Net charge to Profit and Loss Account (+)	-	-
Balance as at 31 December 2019	<b>7,601,900</b>	<b>1,996,356</b>
<b>Total provision on classified loans and advances</b>	<b>7,601,900</b>	<b>1,996,356</b>
<u>On unclassified loans</u>		
Opening Balance	65,771,115	27,787,434
Transfer from specific provisions (+)	7,601,900	1,996,356
Transfer to general reserve during the year (-)	-	-
General provision made during the year (+)	11,346,539	35,987,325
Balance at the year ended	84,719,554	65,771,115
<b>Total provision on un-classified loans and advances</b>	<b>77,117,654</b>	<b>63,774,759</b>
<b>Total provision on loans and advances</b>	<b>84,719,554</b>	<b>65,771,115</b>

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	31.12.2019 Taka	31.12.2018 Taka
<b>Provision for</b>	<b>Required</b>	<b>Maintained</b>
Un-classified loans and advances	77,117,654	37,983,681
Classified loans and advances	7,601,900	
	<b>84,719,554</b>	<b>37,983,681</b>

**13.1.1 Details of provision for loans and advances**

	Required	Required
<b>General Provision</b>	<b>77,117,654</b>	<b>35,987,325</b>
Standard	77,070,208	34,089,849
Special Mention Account	47,446	1,897,476
<b>Specific Provision</b>	<b>7,601,900</b>	<b>1,996,356</b>
Substandard	5,831,293	965,320
Doubtful	295,095	95,065
Bad/Loss	1,475,512	935,971

**13.2 Provision for current tax**

Opening Balance	105,212,099	41,183,832
Add: Provision made during the year	114,601,562	64,028,267
	<b>219,813,662</b>	<b>105,212,099</b>
Less: Settlement made during the year	-	-
	<b>219,813,662</b>	<b>105,212,099</b>

**13.3 Deferred tax liability**

<b>Temporary timing difference in written down value of fixed asset</b>		
Carrying amount of fixed assets	301,794,910	122,399,461
Tax base	299,716,200	114,355,773
<b>Taxable Temporary difference</b>	<b>2,078,710</b>	<b>8,043,688</b>
Tax rate	37.50%	37.50%
<b>Deferred tax liability</b>	<b>779,516</b>	<b>3,016,383</b>
Opening deferred tax liability	3,016,383	1,090,241
Deferred tax expense/ (income)	(2,236,867)	1,926,142
	<b>779,516</b>	<b>3,016,383</b>

Deferred tax asset/(liability) have been recognised and measured as per IAS 12 "Income Taxes " and BRPD circular no 11 dated 12 December 2011.

**13.4 Provision for Off Balance Sheet Exposures**

Opening balance	8,037,509	1,470,206
Add: Addition during the year	(7,328,616)	6,567,303
	<b>708,893</b>	<b>8,037,509</b>

Bank has made a provision of Tk 708,893 @ 1.00% on off balance sheet exposure (i.e. Acceptance & Endorsement, Letter of Credit & Letter of Guarantee) as per BRPD Circular number 14 dated 23.09.2012 from current year's profit. The total amount of provision of Tk. 708,893 is deemed sufficient on requirement and will be treated as Supplementary Capital of the Bank.



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		31.12.2019 Taka	31.12.2018 Taka
<b>13.5 Interest suspense account</b>			
Balance at 01 January		116,321	-
Transfer during the year	(+)	179,993	116,321
Recovery during the year	(-)	-	-
Waiver during the year		-	-
Write off during the year	(-)	-	-
Balance at 31 December		<b>296,314</b>	<b>116,321</b>
<b>14. Share Capital</b>			
<b>14.1 Authorised Capital</b>			
100,000,000 ordinary shares of Taka 10 each		<b>10,000,000,000</b>	<b>10,000,000,000</b>
<b>14.2 Issued, Subscribed and Paid-up Capital</b>			
400,000,000 ordinary shares of Taka 10 each issued		<b>4,000,000,000</b>	<b>4,000,000,000</b>
<b>14.3 Percentage of shareholding</b>			

Particulars	As at 31 December 2019		31.12.2018 % of Holdings
	Capital	% of Holdings	
Sponsors and public	4,000,000,000	100	100
Government	-	-	-
	<b>4,000,000,000</b>	<b>100</b>	<b>100</b>

### 14.4 Classification of shareholders by holding

Holding	No. of holders 31.12.2019	% of total holding 31.12.2019	% of total holding 31.12.2018
Upto 500	9	90.00%	92.31%
501 to 5,000	-	0.00%	0.00%
5,001 to 10,000	-	0.00%	0.00%
10,001 to 20,000	-	0.00%	0.00%
20,001 to 30,000	-	0.00%	0.00%
30,001 to 40,000	-	0.00%	0.00%
40,001 to 50,000	-	0.00%	0.00%
50,001 to 100,000	-	0.00%	0.00%
100,001 to 1,000,000	-	0.00%	0.00%
Over 1,000,000	1	10.00%	7.69%
	<b>10</b>	<b>100.00%</b>	<b>100.00%</b>

### 14.5 Names of the Directors and their shareholding as at 31 December 2018

Name of the Director	Status	31.12.2019 No of Share	31.12.2018 No of Share
BGB Welfare Trust	Sponsor	399,999,991	399,999,988
Major General Md Shafeenul Islam, BGBM, ndc, psc	Chairman	1	1
Brig Gen Abu Taher Muhammad Ibrahim, ndc	Director	1	-
Brig Gen Khondakar Shahidul Ghani, MPH	Director	1	-
Brig Gen Khondoker Farid Hassan, PBGM (BAR), ndc	Director	1	1
Brig Gen Moazzem Hossain, BGBM, PhD	Director	1	-
Colonel Md Rashidul Alam	Director	1	-
Colonel Md Towhidul Islam, PBGM, afwc, psc	Director	1	1
Col Abu Sayed Al masud, PGBMS, psc	Director	1	-
Col Md. Mahfuzer Rahman, PBGM, psc, PEng, MSc	Director	1	-
		<b>31.12.2019 No of Share</b>	<b>31.12.2018 No of Share</b>
Brig Gen AFM Jahangir Alam, ndc, psc,		-	1
Brig Gen Md. Mahbub-ul Alam, afwc, psc		-	1
Brig Gen AQM Shamsul Haque, SGP, MCPs, MPH, MPhil		-	1
Brig Gen Md Sazzad Hossain, ndc, psc		-	1
Brig Gen A S M Anisul Haque, SGP, BGBM, psc		-	1
Colonel M Raquibul Haq, psc		-	1
Colonel Muhammad Matiuur Rahman, BGBM, PBGM, psc		-	1
Colonel Md Sharif Hossain, psc		-	1
Colonel Ahmed Zamiul Islam, afwc, psc		-	1
		<b>400,000,000</b>	<b>400,000,000</b>

## 14.6 Capital to Risk Weighted Assets Ratio (CRAR) - as per BASEL III

The calculation of CRAR under Basel III has been made as per "Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III)" issued by Bangladesh Bank vide its BRPD Circular no. 18 dated December 21, 2014.

	31.12.2019 Taka	31.12.2018 Taka
<b>Tier - I Capital (going concern capital)</b>		
<b>Common Equity Tier 1 Capital (CET 1)</b>		
Paid up capital	4,000,000,000	4,000,000,000
Statutory reserve	101,310,320	43,458,434
General reserve	-	-
Surplus in profit and loss account/ Retained earnings	165,418,725	46,375,878
<b>Total Common Equity Tier 1 Capital (CET 1)</b>	<b>4,266,729,044</b>	<b>4,089,834,311</b>
<b>Additional Tier 1 Capital (AT 1)</b>	<b>-</b>	<b>-</b>
<b>(i) Total Tier - I Capital</b>	<b>4,266,729,044</b>	<b>4,089,834,311</b>
<b>Tier - II Capital (gone concern capital)</b>		
General provision including off-balance sheet exposure	77,826,547	73,808,624
Asset revaluation reserve (50%)	-	-
Revaluation reserve for HTM & HFT securities	956,968	-
Non-convertible subordinated bond	-	-
	<b>78,783,515</b>	<b>73,808,624</b>
<b>Regulatory Adjustment (if any)</b>	<b>-</b>	<b>-</b>
<b>(ii) Total Tier - II Capital</b>	<b>78,783,515</b>	<b>73,808,624</b>
<b>A. Total Eligible Capital (i+ii)</b>	<b>4,345,512,559</b>	<b>4,163,642,935</b>
<b>B. Risk Weighted Assets</b>		
Credit risk		
Balance sheet business	7,368,047,771	5,803,280,312
Off- balance sheet business	44,078,583	404,725,874
	<b>7,412,126,354</b>	<b>6,208,006,186</b>
Market risk	-	-
Operational risk	792,746,852	461,369,347
<b>Total risk-weighted ass</b>	<b>8,204,873,206</b>	<b>6,669,375,533</b>
<b>C. Required Capital based 10% of RWA i.e Taka or 4000,000,000 whichever is higher</b>	<b>4,000,000,000</b>	<b>4,000,000,000</b>
<b>D. Capital Surplus / (Shortfall) [A-C]</b>	<b>345,512,559</b>	<b>163,642,936</b>
<b>Total capital adequacy ratio (%)</b>	<b>52.96%</b>	<b>62.43%</b>

Capital requirement	31.12.2019	
	Required	Held
Tier - I Capital (Going Concern Capital)	6.00%	52.00%
Tier - II Capital (Gone Concern Capital)	-	0.96%
<b>Total</b>	<b>11.250%</b>	<b>52.96%</b>

- 14.6.1 As per risk based capital adequacy guideline for banks under BASEL -III, the Tier 2 capital under heading "General Provision" is limited to the actual amount of general provision or 1.25% of credit risk weighted assets, which is lower. In subsequent BRPD Circular Letter No. 05 dated May 31, 2016, full amount of General Provision is allowed to be treated as part of Tier-II Capital.
- 14.6.2 As per risk based capital adequacy guidelines for banks under BASEL - III, the revaluation reserve for assets and securities will diminish at 20% per year on the base amount of 31 December 2014 so that the whole revaluation reserve amount will not get capital treatment after the end of five years (starting from 2015).
- 14.6.3 As per the risk based capital adequacy guidelines in line with Basel-III issued in December 2014 by Bangladesh Bank, the amount of subordinated debt in the regulatory capital will have to be reduced (amortized) in the last 05 (five) years of the bond's life by 20% from the amount of the instrument.

Capital Adequacy Ratio (CAR) has been calculated as per risk based capital adequacy guidelines in line with BASEL-III issued in December 2014 & DOS Circular No. 02 dated 04 April 2015 on reporting CRAR & leverage ratio by Bangladesh Bank.



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	31.12.2019 Taka	31.12.2018 Taka
<b>15. Statutory reserve</b>		
Opening balance	43,458,434	15,923,583
Add: Addition during the year	57,851,886	27,534,851
	<b>101,310,320</b>	<b>43,458,434</b>
As per Section 24 of Bank Companies Act 1991, 20% of pre tax profit has been transferred to Statutory Reserve Account.		
<b>16. Retained earnings</b>		
Opening balance	46,375,878	17,190,879
Less: Dividend paid	-	15,000,000
Add: Post-tax profit for the year	176,894,733	71,719,849
	223,270,611	73,910,728
Less: Transferred to statutory reserve	57,851,886	27,534,851
	<b>165,418,725</b>	<b>46,375,878</b>
<b>16.1 Other Reserves</b>		
Opening balance	-	3,604,640
Add: Revaluation Reserve -T Bond & Bill	956,968	6,789,530
Less: Transfer due to Income	-	(10,394,170)
	<b>956,968</b>	<b>-</b>
<b>17. Profit and loss account</b>		
<u>Income:</u>		
Interest, discount and similar income	1,071,302,650	739,947,316
Investment Income	59,982,500	54,745,976
Fee, commission and brokerage	22,344,917	16,201,985
Other operating income	-	-
	<b>1,153,630,067</b>	<b>810,895,277</b>
<u>Expenses</u>		
Interest paid on deposits, borrowings, etc.	411,493,608	290,205,538
Interest, fee and commission	-	-
Administrative expenses	309,340,570	250,961,786
Other operating expenses	87,405,386	33,775,765
Depreciation and amortization on banking assets	45,125,072	43,387,111
	853,364,636	618,330,199
	<b>300,265,431</b>	<b>192,565,078</b>
<b>18. Interest income</b>		
Interest on loans and advances:		
Loans and advances	690,453,836	417,504,571
Interest on:		
Calls and placements	167,599,099	207,171,667
Balance with other Banks	180,967,393	103,396,700
Interest income from Commercial Paper	32,449,763	11,975,913
	381,016,255	322,544,280
	<b>1,071,470,091</b>	<b>740,048,850</b>



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	31.12.2019 Taka	31.12.2018 Taka
<b>19. Interest paid on deposits, borrowings etc.</b>		
Interest on deposits:		
Fixed deposits	264,310,857	202,873,351
Savings deposits	141,951,829	11,257,100
Other deposits	4,998,561	64,171,873
	<b>411,261,247</b>	<b>278,302,324</b>
Interest on borrowings:		
Local banks, financial institutions including Bangladesh Bank	232,361	11,903,213
Subordinated Bond	-	-
	<b>232,361</b>	<b>11,903,213</b>
	<b>411,493,608</b>	<b>290,205,538</b>
<b>20. Investment income</b>		
Dividend on shares	5,362,500	10,412,188
Interest on treasury bonds	68,452,841	34,135,623
Gain/(Loss) on treasury bills and treasury bonds	(13,445,560)	10,394,170
	<b>60,369,781</b>	<b>54,941,980</b>
<b>21. Commission, exchange and brokerage</b>		
Other fees, commission and service charges	21,802,612	11,243,426
Commission on letters of credit	270,989	142,428
Commission on letters of guarantee	271,317	4,816,131
	<b>22,344,917</b>	<b>16,201,985</b>
<b>22. Salary and allowances</b>		
Basic salary, provident fund contribution and all other allowances	204,579,278	153,972,354
Festival and incentive bonus	10,000,000	9,000,000
	<b>214,579,278</b>	<b>162,972,354</b>
<b>23. Rent, taxes, insurance, electricity etc.</b>		
Rent, rates and taxes	65,070,690	54,686,716
Electricity, gas, water, etc.	8,958,760	5,052,680
Insurance	4,659,937	2,605,932
	<b>78,689,388</b>	<b>62,345,329</b>
<b>24. Legal expenses</b>		
Legal expenses	<b>3,166,027</b>	<b>1,621,534</b>
<b>25. Postage, stamp, telecommunication, etc.</b>		
Telephone	105,447	352,124
Postage, stamp, Courier and shipping	777,329	59,740
Telex, fax, internet, wireless link, SWIFT etc.	5,751,991	6,016,749
Branch Connectivity Charges	8,057,855	5,472,435
	<b>14,692,622</b>	<b>11,901,048</b>
<b>26. Stationery, printing, advertisements, etc.</b>		
Printing and stationery	4,021,971	3,333,195
Publicity, advertisement, etc.	7,559,627	5,473,449
	<b>11,581,599</b>	<b>8,806,644</b>



## Hoda Vasi Chowdhury & Co

	31.12.2019 Taka	31.12.2018 Taka
<b>27. Directors' fees</b>		
Directors' fees	656,000	661,326
Meeting expenses	373,053	219,570
	<b>1,029,053</b>	<b>880,896</b>
Directors' fees include fees for attending the meeting of the Board, Executive Committee and Audit Committee.		
<b>28. Auditors' fees</b>		
Statutory	<b>1,009,500</b>	<b>379,500</b>
<b>29. Amortization &amp; Depreciation and repairs of Bank's assets</b>		
<u>Amortization &amp; Depreciation :</u>		
Computer and Network equipment	19,773,516	15,792,504
Furniture & Fixture - Office	3,560,622	2,877,788
Office Equipment	9,374,943	7,044,277
Motor Vehicle	26,460	-
Software	9,693,253	9,031,502
Decoration & Renovation	2,637,180	1,945,924
	<b>45,065,974</b>	<b>36,691,994</b>
<u>Repairs:</u>		
Computer Accessories	99,638	112,352
Furniture & Fixture	21,144	15,635
Motor Vehicles	347,312	395,326
Repair & Maint. Electricity	197,421	-
Computer & Network Equipment	366,310	-
Building & Decoration	1,335,201	-
Software maintenance	5,132,956	-
Equipment	437,731	465,907
	<b>7,937,711</b>	<b>989,220</b>
<u>Spare Parts:</u>		
Computer, Network & Softwares	294,015	-
Electricity & Lighting	15,136	-
Equipment	231,037	-
Furniture & Fixture	3,760	-
Motor Vehicles	415,886	-
	<b>959,833</b>	<b>-</b>
	<b>53,963,519</b>	<b>37,681,215</b>
<b>30. Other expenses</b>		
Bank charges	3,399,452	2,452,079
Branch Opening Cost	618,874	6,409,811
Local Conveyance	384,924	266,434
Client Entertainment	522,537	469,795
Staff Entertainment	1,136,790	671,198
Meeting Expenses	1,341,993	530,275
Fuel & Lubricant - Vehicle	884,853	750,862
Books and periodicals	138,107	100,743
Office maintenance (Cleaning, Washing and Other items)	869,344	357,497
Training Expenses	1,729,462	1,155,597
Travelling Expenses	2,523,862	3,277,314
WEB Site Maintenances	18,935	18,120

Hoda Vasi  
Chowdhury & Co

	31.12.2019 Taka	31.12.2018 Taka
Cash Carrying Charges	139,150	530,492
fees to credit rating Agency	215,000	345,000
fees to surveyor	128,612	75,000
Miscellaneous Expenses	1,744,699	358,091
Recruitment Expenses	77,893	144,979
Events & Occasional Expenses	2,145,327	4,678,430
Card Related Expenses	6,289,953	2,551,716
Excise Duty	1,091,000	1,992,150
Donations	8,195,185	4,248,890
Membership fees	1,660,750	2,209,475
Expense For new Projects	1,210,081	-
Contractual Services ( Vehicle Expenses )	12,309,258	7,779,571
	<b>48,776,040</b>	<b>41,373,516</b>
<b>31. Provision against loans and advances</b>		
On un-classified loans	4,017,923	42,554,628
On classified loans	7,601,900	1,996,356
	<b>11,619,823</b>	<b>44,550,984</b>
<b>32. Appropriations</b>		
Retained earnings - brought forward	46,375,878	17,190,879
Less Dividend Paid During the year		(15,000,000)
Add: Post-tax profit for the year	176,894,733	71,612,199
	<b>223,270,611</b>	<b>73,803,078</b>
<u>Transferred to</u>		
Statutory reserve	57,851,886	27,534,852
General reserve	-	-
	57,851,886	27,534,852
<b>Retained earnings</b>	<b>165,418,725</b>	<b>46,268,226</b>
<b>33. Earnings Per Share (EPS)</b>		
Profit after taxation	176,894,733	71,612,199
Number of ordinary shares outstanding	400,000,000	400,000,000
Earnings Per Share	<b>0.442</b>	<b>0.179</b>
Earnings Per Share (EPS) has been computed by dividing the basic earnings by the number of ordinary shares outstanding as of 31 December 2017 in terms of International Accounting Standard (IAS)-33.		
<b>34. Receipts from other operating activities</b>		
Interest on treasury bills, bonds, debenture and others	68,452,841	34,135,623
Gain/(Loss) on treasury bills and treasury bonds	(13,445,560)	10,394,170
	<b>55,007,281</b>	<b>44,529,793</b>
<b>35. Payments for other operating activities</b>		
Rent, taxes, insurance, electricity, etc.	78,689,388	62,345,329
Postage, stamps, telecommunication, etc.	14,692,622	11,901,048
Stationery, printing, advertisement, etc.	11,581,599	8,806,644
Repairs of Bank's assets	7,937,711	989,220
Legal expenses	3,166,027	1,621,534
Auditor's fees	1,009,500	379,500
Directors' fees	1,029,053	880,896
Other Expenses	48,776,040	41,373,516
	<b>166,881,940</b>	<b>128,297,687</b>



36. Highlights of the overall activities of the Bank

Sl #	Particulars	2019 Taka	2018 Taka
1	Paid-up capital	4,000,000,000	4,000,000,000
2	Total capital	4,000,000,000	4,000,000,000
3	Capital surplus	345,512,559	163,642,936
4	Total assets	14,821,990,448	11,376,493,358
5	Total deposits	10,113,827,024	6,982,635,204
6	Total loans and advances	7,173,461,524	5,835,300,077
7	Total contingent liabilities and commitments	70,889,297	803,750,877
8	Credit-deposit ratio	70.93%	83.57%
9	Profit after tax and provision	176,894,733	71,719,849
10	Provision kept against classified loans	7,601,900	1,996,356
11	Provision surplus/ (deficit)	-	-
12	Cost of fund	8.35%	9.10%
13	Interest earning assets	13,262,315,110	10,055,416,166
14	Non-interest earning assets	1,559,675,338	1,321,077,192
15	Return on investments (ROI)	4.80%	7.88%
16	Return on assets (ROA)	1.35%	0.74%
17	Income from investments	60,369,781	54,941,980
18	Earnings per share	0.442	0.179
19	Net Income per share	0.442	0.179

  
Chairman

  
Director

  
Director

  
Managing Director & CEO

Dhaka  
28 May 2020

  
Hoda Vasi Chowdhury and Co  
Chartered Accountants

## 36. Related Party Disclosures

i) Name of the Directors and their interest in the Bank as on 31.12.2019:

SL#	Name	Address	Designation	Number of Shares approved by the Board
1	BGB Welfare Trust	Shimanto Shomvar, Dhanmondi, Dhaka	Sponsor	399,999,991
2	Major General Md Shafeenul Islam, BGBM, ndc, psc	Director General Border Guard Bangladesh	Chairman	1
3	Brig Gen Abu Taher Muhammad Ibrahim, ndc	Bureau Chief, BSB Border Guard Bangladesh	Director	1
4	Brig Gen Khondakar Shahidul Ghani, MPH	Addl DG (Med) Border Guard Bangladesh	Director	1
5	Brig Gen Khondoker Farid Hassan, PBGM (BAR), ndc	Addl DG (Ops & Trg) Border Guard Bangladesh	Director	1
6	Brig Gen Moazzem Hossain, BGBM, PhD	Addl (Admin) Border Guard Bangladesh	Director	1
7	Colonel Md Rashidul Alam	DDG (Logistics) Border Guard Bangladesh	Director	1
8	Colonel Md Towhidul Islam, PBGM, afwc, psc	DDG (Communication) Border Guard Bangladesh	Director	1
9	Col Abu Sayed Al masud, PGBMS, psc	DDG (Record) Border Guard Bangladesh	Director	1
10	Col Md. Mahfuzer Rahman, PBGM, psc, PEng, MSc	DDG (Works) Border Guard Bangladesh	Director	1
				<u>400,000,000</u>

ii) Name of the Directors and their interest in the Bank (as on 31.12.2018):

SL#	Name	Address	Designation	Number of Shares approved by the Board
1	BGB Welfare Trust	Shimanto Shomvar Dhanmondi, Dhaka	Sponsor	399,999,988
2	Major General Md Shafeenul Islam, ndc, psc	HQ BGB, Peelkhana, Dhaka	Chairman	1
3	Brig Gen AFM Jahangir Alam, ndc, psc,	HQ BGB, Peelkhana, Dhaka	Director	1
4	Brig Gen Md. Mahbub-ul Alam, afwc, psc	HQ BGB, Peelkhana, Dhaka	Director	1
5	Brig Gen Khondoker Farid Hassan, PBGM (BAR), ndc	HQ BGB, Peelkhana, Dhaka	Director	1
6	Brig Gen AQM Shamsul Haque, SGP, MCPS, MPH, MPhil	HQ BGB, Peelkhana, Dhaka	Director	1
7	Brig Gen Md Sazzad Hossain, ndc, psc	HQ BGB, Peelkhana, Dhaka	Director	1
8	Brig Gen A S M Anisul Haque, SGP, BGBM, psc	HQ BGB, Peelkhana, Dhaka	Director	1
9	Colonel M Raquibul Haq, psc	HQ BGB, Peelkhana, Dhaka	Director	1
10	Colonel Muhammad Matiur Rahman, BGBM, PBGM, psc	HQ BGB, Peelkhana, Dhaka	Director	1
11	Colonel Ahmed Zamiul Islam, afwc, psc	HQ BGB, Peelkhana, Dhaka	Director	1
12	Colonel Md Towhidul Islam, afwc, psc	HQ BGB, Peelkhana, Dhaka	Director	1
13	Colonel Md Sharif Hossain, psc	HQ BGB, Peelkhana, Dhaka	Director	1
				<u>400,000,000</u>





## Hoda Vasi Chowdhury & Co

iii) Name of the Directors and their interest in the Bank (Time of Establishment):

SL#	Name	Address	Designation	% of interest
1	BGB Welfare Trust	Shimanto Somvar Dhanmondi, Dhaka	Sponsor	99.9999980%
2	Major General Aziz Ahmed, BGBM, PBGM, psc, G Director General	HQ BGB, Peelkhana, Dhaka	Chairman	0.0000003%
3	Brig Gen Md Mahfuzur Rahman, BGBMS, G+	HQ BGB, Peelkhana, Dhaka	Director	0.0000003%
4	Brig Gen Taufiqul Hasan Siddiquee, BGBMS	HQ BGB, Peelkhana, Dhaka	Director	0.0000003%
5	Brig Gen Salim Mahmud Chowdhury, BP, BGBM	HQ BGB, Peelkhana, Dhaka	Director	0.0000003%
6	Brig Gen Khondoker Farid Hassan, PBGM	HQ BGB, Peelkhana, Dhaka	Director	0.0000003%
7	Colonel Kazi Aniruddha, BGBM	HQ BGB, Peelkhana, Dhaka	Director	0.0000003%
8	Colonel Zaved Sultan, BGBMS	HQ BGB, Peelkhana, Dhaka	Director	0.0000003%
9	Assistant Director Md Mahbubur Rashid	HQ BGB, Peelkhana, Dhaka	Director	0.0000003%
	<b>Total</b>			<b>40, 00, 00,000 (Fully Paid-up)</b>

iv) Name of Directors and their interest in different entities as on 31.12.2019

SL#	Name	Name of the firms/ Companies in which they have interest	Status with the Bank	Status in the interested entities
1	BGB Welfare Trust	Border Guard Bangladesh	Sponsor	N/A
2	Major General Md Shafeenul Islam, BGBM, ndc, psc	Border Guard Bangladesh	Chairman	N/A
3	Brig Gen Abu Taher Muhammad Ibrahim, ndc	Border Guard Bangladesh	Director	N/A
4	Brig Gen Khondakar Shahidul Ghani, MPH	Border Guard Bangladesh	Director	N/A
5	Brig Gen Khondoker Farid Hassan, PBGM (BAR), ndc	Border Guard Bangladesh	Director	N/A
6	Brig Gen Moazzem Hossain, BGBM, PhD	Border Guard Bangladesh	Director	N/A
7	Colonel Md Rashidul Alam	Border Guard Bangladesh	Director	N/A
8	Colonel Md Towhidul Islam, PBGM, afwc, psc	Border Guard Bangladesh	Director	N/A
9	Col Abu Sayed Al masud, PGBMS, psc	Border Guard Bangladesh	Director	N/A
10	Col Md. Mahfuzur Rahman, PBGM, psc, PEng, MSc	Border Guard Bangladesh	Director	N/A

- v) Share issued to Directors & Executives without consideration or exercisable at discount:
- vi) Related party Transactions:
- vii) Loans and Advances to Directors and their related concern:
- viii) Business other than banking business with any related concern of the Directors as per Section 18 (2) of Bank Companies Act 1991 (Amended in 2013):
- ix) Investments in the Securities of Directors and their related concern:

Nil  
Nil  
Nil

BDT 199,341,546.10  
Nil

**Shimanto Bank Limited**  
Schedule of Fixed Assets  
As at 31 December 2019

Particulars	Computer & Network	Software	Furniture and Fixtures	Office Equipment	Motor Vehicle	Decoration & Renovation	Total
<b>Cost/ Revaluation</b>							
Balance as at 01.01.19	79,054,394	42,922,634	18,639,003	35,083,737	-	13,471,829	189,171,597
Addition during the year	43,191,100	448,906	65,693,675	50,896,907	176,400	57,005,844	217,412,832
Less: Disposal/Adjustment during the year	-	-	-	-	-	-	-
<b>As At 31 December 2019</b>	<b>122,245,494</b>	<b>43,371,540</b>	<b>84,332,677</b>	<b>85,980,644</b>	<b>176,400</b>	<b>70,477,673</b>	<b>406,584,429</b>
<b>Accumulated Depreciation</b>							
Balance as at 01.01.19	27,185,392	16,054,700	4,153,149	9,811,162	-	2,519,141	59,723,543
Addition during the year	19,773,516	9,693,253	3,560,622	9,374,944	26,460	2,637,180	45,065,975
Less: Disposal/Adjustment during the year	-	-	-	-	-	-	-
<b>As At 31 December 2019</b>	<b>46,958,908</b>	<b>25,747,953</b>	<b>7,713,770</b>	<b>19,186,106</b>	<b>26,460</b>	<b>5,156,321</b>	<b>104,789,519</b>
<b>As at 31 December 2019</b>	<b>75,286,586</b>	<b>17,623,587</b>	<b>76,618,907</b>	<b>66,794,538</b>		<b>65,321,352</b>	<b>301,794,910</b>
<b>As at 31 December 2018</b>	<b>51,869,002</b>	<b>26,867,934</b>	<b>14,485,854</b>	<b>25,272,575</b>		<b>10,952,688</b>	<b>129,448,053</b>



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**SHIMANTO BANK LIMITED**

শিমন্তো ব্যাংক লিমিটেড

**Head Office & Registered Office**

Shimanto Shamvar, 7th Floor, Road No- 2, Bir Uttam M A Rob Sarak  
Dhanmondi, Dhaka-1205, Bangladesh. Cell: +8809612999000  
E-mail: information.desk@shimantobank.com, Web:www.shimantobank.com

**PROXY FORM**

I/We .....

Of .....

.....being a Shareholder/Member of Shimanto Bank Limited, do hereby appoint Mr. /Mrs.

.....

of .....

either of them may, in writing, appoint anyone to act as my proxy at the 4<sup>th</sup> Annual General Meeting of the Company to be held on Monday, 29 June 2020 and at any adjournment thereof.

As Witness my/our hand this ..... day of ..... 2020.

Signature of Proxy

Revenue  
Stamp of  
Tk. 20/=

Signature of Shareholder(s)

Folio/BO ID No. of the Shareholder(s):

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

No. of shares held .....

**Notes:**

01. A member entitled to attend and vote in the AGM may appoint a proxy to attend and Vote on his / her behalf.
02. The Proxy Form, duly filed and stamped must be deposited at the corporate office of the Company at least 48 hours before of the meeting.
03. Signature of the member(s) must be accordance with the Specimen Signature recorded with the Company.



**SHIMANTO BANK LIMITED**

শিমন্তো ব্যাংক লিমিটেড

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E-mail: information.desk@shimantobank.com, Web:www.shimantobank.com

**ATTENDANCE SLIP**

I/we do hereby record my/ our attendance at the 4<sup>th</sup> Annual General Meeting (AGM) of the Company being held on Monday, 29 June 2020 at 1930 hours at the Digital Platform (Zoom Cloud Meeting).

Name of the Shareholder(s) / Proxy .....

Folio/BO ID No. of the Shareholder(s):

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

No. of Shares held: .....

Signature of Shareholder(s) / Proxy

**Note:** Please present this attendance slip at the registered address of the Bank counter before 1000 hours of the AGM date. Children and Non-Shareholders will not be allowed at the meeting.





## Shareholders' Note :



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**SHIMANTO BANK LIMITED**

শিমন্তো ব্যাংক লিমিটেড  
শিমন্তো ব্যাংক

#### Head Office & Registered Office

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Road No- 2, Bir Uttam M A Rob Sarak  
Dhanmondi, Dhaka-1205, Bangladesh.

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🌐 www.shimantobank.com