

## Future Outlook

- To manage BDBL's capital prudently this will enable it to meet future requirements.
- To operate in emerging markets for taking advantage of growth opportunities.
- To price BDBL products appropriately this will increase sales opportunities and competitiveness.
- To lend more responsibly to mitigate the risk of the customers defaulting on their repayments.
- To offer secured banking structures this will reduce the risk of financial crime and engenders trust and confidence among our customers.
- To prepare for the adoption of Basel III standards.



We believe  
in eco-friendly  
environment...

Ultimate goal of CSR activities of BDBL is " Building a sustainable society ." The budget for performing CSR activities is provided from the profit earned by the Bank each year. Since its inception, the break down of the budget allocated for the philanthropic initiatives up to 2013 is as follows:

(TK. in Crore)

Year	Budget	Utilization of fund
2010	0.20	-
2011	0.25	0.04
2012	0.70	0.44
2013	2.00	1.35

## ECONOMIC CONTRIBUTION

BDBL contributes indirectly to the economy by way of providing loans & advances to the industrial ventures which ultimately produces goods & services and creates employment opportunities for the people of the country. The loans & advances provided to different industrial ventures by the Bank was TK. 1474.31 crore in 2012 which grew nearly by 5 percent to TK. 1545.72 crore in 2013.

BDBL has contributed significantly to the Government's drive in collection of revenue. As per law, the Bank deducts taxes, VAT and excise duty at source from various payments and services and deposits the same to government exchequer. Besides, the Bank also pays income tax on its earnings. Every year BDBL pays income tax on behalf of its officials / employees. The total payment to government exchequer from 2012 to 2013 is depicted below :

### Payment to National Exchequer

(TK. in crore)

Particulars	2013	2012
Payment of advance Income Tax	25.55	20.27
Employees income tax paid by the Bank	0.52	0.68
Tax deducted at source and deposited	8.70	2.79
VAT deducted at source and deposited	1.77	1.10
Excise duty deducted and deposited	0.40	0.23
<b>Total</b>	<b>36.94</b>	<b>25.07</b>



**The Bank is concerned with**



◆ **People**  
◆ **Planet &**  
◆ **Profit**

## CREDIT RATING REPORT

In compliance with the circular of Bangladesh Bank, Bangladesh Development Bank Ltd. appointed Credit Rating Information & Services Limited (CRISL) to evaluate the Credit Rating of the Bank.

The Credit Rating of the Bank for the year 2012 was as follows:-

### Credit Rating awarded by CRISL

Description	Long Term	Short Term
As Govt. Supported Entity	AAA	ST - 1
As Stand -alone Commercial Bank	A-	ST - 2
Outlook	Stable	
Date of Rating	September 10, 2013	

AAA indicates highest safety. Banks rated in this category are adjudged to be of best quality, offer highest safety and have highest credit quality.

A- indicates Adequate Safety. Banks rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations.

ST - 1 indicates Highest Grade. Highest certainty of timely payment.

ST - 2 indicates High Grade. High certainty of timely repayment. Liquidity factors are strong and supported by good fundamental protection factors.

The CRISL has considered the following quantitative and qualitative factors of the Bank for rating purpose:-

A. Quantitative Factors:	B. Qualitative Factors:
i) Capital Adequacy	i) Govt. Support
ii) Assets Quality	ii) Ownership
iii) Funding & Leverage	iii) Management Quality
iv) Liquidity & Requirements	iv) Risk Management
v) Earning Quality	v) Compliance with the Statutory Reserve
vi) Market Sensitivity	vi) Accounting Quality
	vii) Area and Size of Market

## **IN-HOUSE ENVIRONMENT MANAGEMENT**

BDBL took a number of steps for In-house environment management incongruence with Green Banking Policy. The following initiatives were taken to activate In-house environment management :-

- a general circular was issued for efficient use of electricity, water, paper, eco-friendly ink, stationary, gas, fuel, etc.
- steps took for using energy savings bulbs instead of traditional bulbs / lights.
- duplex printer, pen-drive, e-mail, e-statement, automated power switching, etc. were introduced as a cohesive customs.
- LCD monitors were used instead of CRT for CCTV system for power consumption.
- instructions were given to ensure cleanliness in Bank premises. and
- solar panels were installed in Head Office and some Branches.

## **COMPLIANCE OF ENVIRONMENT RISK MANUAL (ERM)**

Bank took steps to assess environmental risk along with existing credit risk to assess the credit risk measure. All projects would be rated as high, moderate and low using EDD checklist. The Bank will also prepare data-base on the number of projects applicable for environmental due-diligence checklists for environmental risk rating, number and amount disbursed to the rated projects financed and status of loan classification for rated projects financed. General and sector specific environmental due-diligence checklists will be introduced covering poultry, dairy, cement, chemicals, pesticides, pharmaceuticals, engineering, housing, pulp & paper, sugar & distilleries, tannery, textile & apparels, ship breaking, etc.

## **GREEN FINANCING**

Since its inception, BDBL financed many projects which were environmentally responsive and avoided those projects which were harmful. Financing eco-friendly projects that helped mitigate environmental degradation by lending more for renewable energy, effluent treatment plants and other projects like bio-fertilizer plants, waste management plants, mushroom projects, horticulture, forestation, etc are priority for BDBL. Generation plants based on solar power, bio-gas and wind, and automatic brick manufacturing plants that use modern environment-friendly technology are especially favored projects of BDBL.

## GREEN BANKING

Green Banking is a component of the global initiative by a group of stakeholders to save environment. Bangladesh is one of the most climate change vulnerable country. In line with global development and response to the environment degradation, financial sector in Bangladesh must play an important role as one of the key stakeholders. As a part of financial intermediation, Bangladesh Development Bank Ltd. was also responsible for safeguarding the environment.

## POLICY FORMULATION AND GOVERNANCE

In accordance with Bangladesh Bank Circular No. BRPD-02, dated 27-02-2011, BDBL undertook required steps to implement the Green Banking Guidelines in three phases :-

- formulated Green Banking Policy and strategy approved by the Board of directors.
- created a seven- member High Powered Committee comprising of the Board of Directors for reviewing Bank's environmental policies, strategies and programmes.
- approved a considerable fund in the annual budget for green banking.
- established a five-member Green Banking Cell headed by a General Manager with the responsibility of designing, evaluating and administering green banking issues of the Bank.
- prepared Environment Risk Management Manual.

Apart from these, the Bank also undertook the following action plan under Phase II according to Policy Guidelines for Green Banking given by Bangladesh Bank :-

- formulating sector specific environmental policy.
- applying green strategic planning while financing projects.
- financing of Green Products.
- setting up of Green Branches considering the following factors :-
  - maximum use of natural light.
  - use of online banking.
  - use of renewable energy.
  - use of energy saving bulb and other equipments.
  - use of reduced water and electricity.
  - use of recycled water.
- introducing improved In-house Environmental Management in order to save electricity and reduce water and paper consumption.

# Directors' Statement of Responsibility

Bangladesh Bank determined the responsibilities of the Directors of a Bank through its BRPD Circular No. 6 dated February 04, 2010. In accordance with the circular, the responsibilities of the Directors of Bangladesh Development Bank Ltd. encompass the following :-

## a) Work Plan and Strategic Management

- Determine the objectives and targets of the Bank.
- Formulate annual strategies and work plan.
- Drive organizational change to improve the quality of the services rendered by the Bank in order to achieve the objectives and targets and to analyze the progress of implementation of work plan on a quarterly basis.
- Determine the Key Performance Indicators (KPI) of Managing Director and other Senior Executives and evaluate the same from time to time.

## b) Credit and Risk management

- Evaluate the proposals of loans and advances.
- Prepare the policies and procedure to evaluate, distribute, recover, reschedule and write-off loans and advances as per applicable rules and regulations.
- Delegate power to the Managing Director and other senior executives for approval of loans and advances as deemed necessary.
- Prepare the risk management policies.
- Analyze whether the risk management policies are followed on a quarterly basis.

## c) Internal Control Management

- Maintain proper internal control to ensure the quality of loans and advances.
- Evaluate the report of Audit Committee regarding the implementation of suggestions from internal audit, external audit and Bangladesh Bank on a quarterly basis.

In 2013, the Bank allocated fund for implementing green financing activities in the following ways :-

(Tk. In Crore)

Sl. No.	Areas	Total Fund	Allocated for Green Banking
1.	Long Term Loan	150.00	25.00
2.	SME Loan	100.00	25.00
3.	Short Term Loan	340.00	10.00
4.	CSR	2.00	0.20
	<b>Total</b>	<b>592.00</b>	<b>60.20</b>

### GREEN MARKETING

The Bank is always keen to raise green awareness among its clients, stakeholders, entrepreneurs, employees, etc. Among other, it has also included installation of solar panel, bio-gas, tree plantation and agro-based projects as priority sectors in its S M E loan portfolio. The Training Institute of the Bank regularly arranges training, seminar and workshop on green banking to create awareness for green banking activities of the Bank.

### ONLINE BANKING

Online Banking is one of the important and easiest ways to save environment by doing paperless banking. It decreases use of paper, waste of paper along with reduction of carbon emission and printing & postal expenses. At present, 26 Branches along with Head Office are fully online for branch banking. The Bank is also ready to establish data center and core banking software. The Bank is also going to start mobile banking for its wide range of customers soon.

### DISCLOSURE OF GREEN BANKING ACTIVITIES

- The Bank has regularly been exposing its green banking activities in the Annual Report.
- It also discloses green banking activities in the website of the Bank.

# Report of the Board Audit Committee

In compliance with the guidelines of Bank Company Act, Bangladesh Bank guidelines, notifications of Bangladesh Securities & Exchange Commission (BSEC) and international best practices of Corporate Governance, the Audit Committee of the Board of Bangladesh Development Bank Limited was formed by the Board of Directors of the Bank with a view to ensuring the achievement of objectives of the Bank, efficiency of operations and compliance with applicable laws, rules, regulations and internal policies to make the Bank a unique, strong and dependable organization for all stakeholders, specially shareholders, depositors and the society as a whole.

## Objectives of the Audit Committee

- To review the financial reporting process, the system of internal control and compliance approach to manage risks, the audit process, findings of the Central Bank's comprehensive audit and the Bank's processes for monitoring compliance of laws and regulations and its own code of business conduct.
- To assist the Board in fulfilling its oversight responsibilities including implementation of the objectives, strategies, policies and overall business plans set by the Board for effective functioning of the Bank.

## Role and Responsibilities of the Committee

The roles and responsibilities of audit committee of BDBL has been chalked out on the basis of BRPD Circular No. 11 dated 27 October 2013, new corporate governance notification issued by BSEC, dated 07 August, 2012 and other best practice corporate governance guidelines and standards. Some important roles and responsibilities of audit committee are described below:

- i) Review the Internal Control system of the Bank to ensure that sufficient Risk Management System is in place to manage core risk of the Bank.
- ii) Review the Internal Audit Procedure.
- iii) Review the efficiency and effectiveness of Internal Control System.
- iv) Consider the recommendations made by the internal and external auditors.
- v) Ensure fair presentation of financial statements in compliance with the Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards.

#### **d) Human Resources Management and Development**

- Devise the policies and service rules for appointment, promotion, transfer, punishment and development of human resources.

#### **e) Financial Management**

- Accord approval to the annual budget and statutory financial statements.
- Evaluate the income, expenses, liquidity, expired/ uncollected loans and advances, sufficiency of capital, maintenance of provisions and legal actions to recover the loans and advances on a quarterly basis.
- Frame policies and procedures for procurement and according approval to expenditures as per existing policies and procedures.

#### **f) Committee Formation**

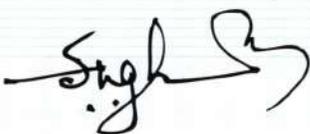
- Constitute the Executive Committee and Audit Committee from members of the Board of Directors.

#### **g) Appointment of Managing Director**

- Appoint a competent Managing Director with the approval from Bangladesh Bank.

#### **h) Responsible for performing any other responsibilities as may be determined by Bangladesh Bank from time to time.**

For and on behalf of the Board of Directors.



**Prof. Santi Narayan Ghosh**

Chairman

Board of Directors

- Reviewed and approved Credit Policy and Delegation of Discretionary Power - 2013.
- Discussed and Reviewed annual budget-2014 including revised budget-2013 and recommended the same to the Board with some amendments.
- Advised management to ensure fulfillment of KYC (Know Your Customer) requirement as per Bangladesh Bank's direction.
- Reviewed Short Term Loan Manual – 2013.
- Reviewed preparation of Audit Manual of the Bank.
- Reviewed quarterly, half yearly and interim financial statements of the Bank prior to recommending them for the review of by the Board.
- Reviewed annual financial statements of the Bank with external auditors prior to submission to the Board for their approval.
- Reviewed the comprehensive inspection report of Bangladesh Bank, evaluated compliance status thereof and advised the Bank management to take necessary action as required.
- Reviewed operational performance of the Bank from time to time and recommended measures for improvement of performance of the Bank.
- Reviewed inspection report of different Branches of the Bank conducted by Internal Control and Compliance Department of the Bank and advised the Bank Management to take corrective measures where necessary.
- Reviewed the compliance status of audit objections and advised the management to ensure full compliance of regulatory, legal and significant issues meticulously.

### **Acknowledgement**

In conclusion, I would like to extend my sincere thanks to all members of the Audit Committee for sparing their valuable time with continuous support to go ahead with the task of Audit Committee and also expressed my profound gratitude to the members of Board for allowing the committee to discharge its due role independently.

I also express my gratitude and thanks to the management, auditors, regulatory authorities particularly, Bangladesh Bank and Bangladesh Securities & Exchange Commission for their cordial co-operation in performing the duties with due diligence.

For and on behalf of Audit Committee



**Dewan Nurul Islam, MBA, FCA**  
Chairman  
Board Audit Committee

vi) Review compliance with the applicable rules and regulations of Bangladesh Bank, BSEC, Bank Companies Act, 1991, and Companies Act, 1994.

vii) Report immediately to the Board of Directors on conflict of interest.

viii) Report to the Board of Directors on frauds or irregularities or material defects in the Internal Control System.

### Composition of the Committee

The Audit Committee was reconstituted by the Board of Directors of the Bank in its 81st meeting held on January 28, 2013. The Audit Committee (AC) consists of the following 4 (four) members :-

Sl. No.	Name	Qualification	Status with the Bank	Status with the Committee
1.	Mr. Dewan Nurul Islam	MBA, FCA	Director	Chairman
2.	Prof. Dr. Rustom Ali Ahmed	B.Com (Hon's) M.Com in Finance and Banking.	Director	Member
3.	Syed Aftear Hossain Pear	B. Com	Director	Member
4.	Mr. Amalendu Mukherjee	MSc. in Marine Science	Director	Member

The Company Secretary acts as the Secretary of the committee.

### Meetings of the Audit Committee

During the Year 2013, 6 meetings of the Committee were held.

### Activities during the year

The Board Audit Committee carried out the following activities during the year 2013:-

- Reviewed cost of fund of the Bank and advised the management on fixation of cost of fund, cost of deposit and interest spread and made recommendation to the Board for approval.
- Reviewed Internal Audit procedure of the Bank and Internal Audit program for 2013.
- Reviewed Action Plan of Internal Audit, 2013.
- Reviewed appointment of capable and experienced human resources for Audit and Inspection Department including Central Accounts Department.

The Board spends most of its time in formulating different policies and strategies in directing the BDBL towards a forward-looking Bank. With this end, there held 28 Board meetings including 3 emergency meetings during January-December, 2013.

## MANAGEMENT

The Managing Director and the Board of Directors are jointly responsible for the management of the Bank. The Managing Director is responsible for the day-to-day operations and in this respect observes the policy and directions of the Board of Directors. The Managing Director implements this policy and directions through its line management.

## BOARD COMMITTEES AND THEIR RESPONSIBILITIES

To ensure good governance i.e. Corporate Governance in Bank management, Bangladesh Bank issued a circular (BRPD Circular No. 06, dated February 04, 2010) where it restricted Banks to form more than two committees or sub-committees of the Board.

To ensure proper accountability and transparency through "due diligence", BDBL has two Board committees namely Audit Committee and Executive Committee mainly to oversee and direct the operations, performance and strategic direction of the Bank.

## AUDIT COMMITTEE

As per Bangladesh Bank's BRPD Circular No. 12, dated December 23, 2002, Audit Committee (AC) of BDBL Board was last re-constituted in the Board Meeting held on January 28, 2013, to provide independent oversight of the company's financial reporting, non-financial corporate disclosures, internal control systems and compliance to governing laws, rules and regulations etc. Basically, the Audit Committee plays the role of watchdog on behalf of the Board.

The number of AC members was re-fixed from 5 (Five) to 4 (Four) on January 28, 2013 with the following Directors :

1.	Mr. Dewan Nurul Islam	Chairman of the Committee
2.	Prof. Dr. Rustom Ali Ahmed	Member
3.	Syed Aftear Hossain Pear	Member
4.	Mr. Amalendu Mukherjee	Member

The Audit Committee of BDBL held 6 (six) meetings in the year 2013 and had detailed discussions and review session with the Head of Internal Audit, Head of Internal Control and Compliance, External Auditors etc. regarding their findings, observations and suggestions with corrective measures on the related areas and on other issues of Bank affairs that need improvement. The AC instructed the management to follow those suggestions and monitored accordingly from time to time.

# Report on Corporate Governance

Corporate Governance (CG) is the set of laws, regulations, processes, policies through which a corporation is directed, administered and controlled. The Corporate Governance structure specifies the rights and responsibilities among the major stakeholders involved and achievement of the goals for which the corporation is governed. The principal stakeholders are the shareholders, Board, management and employees. Other stakeholders include customers, creditors, suppliers, regulators and the community at large. Fairness, commitment to the organization, mutual respect, performance orientation, transparency, accountability and responsibility are the accepted elements of good Corporate Governance. A good Corporate Governance aims at ensuring the conformity to all these elements in order to making a congenial environment to excel in.

Since its inception, the Bank has actively and fully adhered to the principles of sound Corporate Governance in complying with legal and regulatory requirements as mentioned in Bangladesh Bank and Securities and Exchange Commission's notification. In BDBL, Corporate Governance means increasing the stakeholders value by being efficient, transparent, professional and accountable to the organization, society and the environment. The Board of directors plays a key role in Corporate Governance. It is their responsibility to endorse the organization's strategy, develop directional policies, appoint, supervise and remunerate senior executives and to ensure accountability of the organization to its owners and regulatory authorities.

## LEGAL AND REGULATORY COMPLIANCE

BDBL has been carrying out its activities in accordance with the **Legal and Regulatory** requirement of Bangladesh Bank and Securities and Exchange Commission (SEC). BDBL operates within the legal framework of the Companies Act, 1994 and as a Banking Company complies with the provisions of the Bank Company Act, 1991, Income Tax Ordinance, 1984, Negotiable Act, 1881, Anti-Money Laundering Act, 2008 and other related laws, regulations and reporting requirements.

BDBL's Corporate Governance structure encompasses the following elements :

## STRUCTURE OF THE BOARD

According to clause 95 of the Article of Association of BDBL, the number of directors shall not be less than seven and not more than thirteen, excluding the Managing Director. The Board of Directors of BDBL is currently consisted of 11 (eleven) directors including its Managing Director. The Board of Directors is accountable to owners / stockholders for the overall direction and control of the Bank. The major responsibilities of the Board are to approve all policies and strategies. The Board reviews the policies and manuals of the various segments of business with a view to establishing effective risk management in credit and other key areas of operations. The management of the Bank operates within the policies and guidelines approved by the Board.

## RISK MANAGEMENT COMMITTEE

Risk Management Committee (RMC) reviews the identification of the credit risk, foreign exchange risk, internal control & compliance risk, money laundering risk, information & technology risk, operational risk, interest risk, liquidity risk, green banking policy and other risk related activities. The Bank established a Risk Management Committee (RMC) with the following Board of Directors:

1.	Prof. Santi Narayan Ghosh Chairman	Chairman of the Committee
2.	Mr. Dewan Nurul Islam Director	Member
3.	Md. Khalilur Rahman Siddiqui Director	Member
4.	Md. Fayekuzzaman, MD, ICB Director	Member
5.	Advocate Md. Abdus Salam Director	Member

The RMC is entrusted with the following responsibilities and functions:

- Identification and controlling strategies of risks;
- Preparation of organizational framework;
- Reviewing and resolving of Risk Management Policy;
- Information / document preservation & reporting;
- Follow-up the implementation of Risk Management Policy as a whole; and
- Miscellaneous.

## MANAGEMENT COMMITTEE

To bring dynamism as well as to assist the Managing Director in handling the daily operational activities to the best interest of the stakeholders, a Management Committee (MANCOM) was formed with the following officials, where the Deputy Managing Director (DMD) acts as the Chairman.

1.	Deputy Managing Director	Chairman
2.	All General Managers of Head Office	Member
3.	Board Secretary	Member
4.	Deputy General Manager Compliance Department	Member-Secretary

## EXECUTIVE COMMITTEE

In compliance with BRPD Circular No. 02 dated 4 February, 2010 and BRPD Circular No. 06, dated 15 February 2010, the Board of Directors of BDBL re-constituted the Executive Committee (EC) comprising of the following Board of directors :

Prof. Santi Narayan Ghosh Chairman	Chairman of the Committee
Mr. Quazi Murshed Hossain Kamal Director	Member
Advocate Md. Abdus Salam Director	Member
Mr. Md. Khalilur Rahman Siddiqui Director	Member
Mr. Md. Fayekuzzaman, MD, ICB Director	Member
Dr. Md. Zillur Rahman Managing Director	Member

This EC is entrusted with the following broader responsibilities and functions :

- Establish and periodically review the Bank's overall credit and lending policies and procedures.
- Develop and implement uniform and minimum acceptable credit standards for the Bank.
- Approve all revision, restructure and amendments made to the credit proposals initially approved by this Committee.

In 2013, 4 (four) meetings of EC were held.

## CENTRAL COMPLIANCE UNIT

Money laundering poses a significant risk to the financial sector globally and to society as a whole. The Bank is firmly committed to participating in international efforts to combat money laundering, fraud or other financial crimes including the financing of terrorists or terrorist operations. Accordingly, the Bank prepared an Anti-Money Laundering Manual which included written policy and procedure and formed a Central Compliance Unit (CCU) with the following Officers :-

1.	Deputy Managing Director	Head of CCU (CAMELCO)
2.	Head of Branch Management Department	Deputy (CAMELCO)
3.	Senior Principal Officer Branch Management Department	Member-Secretary
4.	Senior Officer Branch Management Department	Member

The unit acts in keeping consistency with the Anti-Money laundering Manual and guidelines given by the Central Bank from time to time to protect fraud / forgery and financing of terrorist activities.

## CREDIT COMMITTEE

With a view to bringing dynamism in the activities of the Bank and assisting the Managing Director to perform credit related activities efficiently and effectively, a Credit Committee (CC) was formed with the following officials :

1.	Deputy Managing Director	Chairman
2.	General Manager Legal Affairs Division	Member
3.	General Manager Development Banking Division	Member
4.	General Manager I T Division	Member
5.	General Manager S M E and General Advances Division	Member
6.	Foreign Exchange Consultant	Member
7.	Commercial Banking Consultant	Member
8.	Zonal Head Concerned with Loan Proposal	Member
9.	Head of Loan Operation Department	Member-Secretary

The Management Committee (MANCOM) assists the Managing director in the following Areas :

- Set or review vision, mission and strategies of the Bank as a whole for effective discharging of management responsibilities.
- Analyze business and financial performance of the Bank.
- Review and discuss policies and procedures of the Bank and make changes if necessary before taking to the Board (if needed).
- Market analysis and internal service quality.
- Review of control and compliance.
- Management and development of human resources.
- Exploring ways to strengthen and vitalize support functions (Operations, HRD, ITD, CRM etc.)

The meetings of the MANCOM holds in every month to review and address the relevant issues timely.

### **ASSET LIABILITY COMMITTEE**

The Asset Liability Committee (ALCO) of the Bank was constituted with the following officials, where the Managing Director is the Chairman of the Committee :-

1.	Managing Director	Chairman
2.	General Manager of Finance & Accounts Division	Member
3.	General Manager of Development Banking Division	Member
4.	Head of Branch Management Department	Member
5.	Head of Loan Operation Department	Member
6.	Head of Investment Banking Department	Member
7.	Head of Central Accounts Department	Member-Secretary

The key role and responsibilities of ALCO are as follows :

- Directing general policies on risk exposures.
- Setting target of Deposit and Advances.
- Setting interest rate mismatch / gap limit.
- Analyzing Liquidity position.
- Establishing monitoring system for exposure, control and limit management.
- Evaluating Market Risk.

The meetings of the Asset Liability Management Committee holds in every month to review the overall position of the Balance sheet and achievement of targets.

## COMPLAIN CELL

In order to bring discipline and to create a congenial environment in the banking activities, a Complain Cell was set up with the efficient and experienced officials of the Bank to review the complains against the officers and staff of the Bank. The Managing Director regularly monitors the activities of the Complain Cell. The Complain Cell was reformed with the following officials of the Bank :

1.	Head of Compliance Department	Chief
2.	Two Senior Principal Officers of Compliance Department or One Senior Principal Officer and One Principal Officer of Compliance Department	Member
3.	Principal Officer of Compliance Department	Member

## RECOVERY TASK FORCE (RTF)

A Recovery Task Force was formed consisting of principle executives and other concerned officers for reviewing and expediting loan recovery activities.

## DELEGATION OF POWER

The Board delegated appropriate finance and business power to the Management for quick disposal of credit proposals and other financial matters. Board also delegated authority to Executive Committee(EC) of the Board to approve proposals within certain limit.

## AUDIT BY CENTRAL BANK

Bangladesh Bank (Central Bank) conducts comprehensive inspection of the Bank. The Central Bank also exchanges views with the BDBL's External Auditors regarding the various process of audit. The reports are reviewed by the Audit Committee and the Board. The Bank gives top priority to the inspection reports and corrective measures are taken for the lapses mentioned in the reports.

## AUDIT BY THE EXTERNAL AUDITORS

External Auditors also play the supreme role in auditing and cover about 80 percent of the risk weighted assets. They also discuss with the Management and Audit Committee of the Board on various issues including internal control and compliance. Suggestions of the auditors are given due consideration and are implemented by the Management. The reports of the auditors are also discussed in the board.

## AUDIT AND INSPECTION

To reduce operational risks of the Bank, BDBL conducts regular audit and inspection on the business affairs of the Bank based on different manuals, instructions, rules and procedures given by Bangladesh Bank and other Regulatory Authority from time to time. Audit also verifies the implementation status of various instructions given by the Board of Directors, Executive Committee and Audit committee of the Board.

## INTERNAL CONTROL AND COMPLIANCE

Internal Control contains self-monitoring mechanisms and actions are taken to correct errors and deficiencies as they are identified. To assess the position of internal control and anti-money laundering compliance in various Branches of BDBL, Internal Control and Compliance Division carried out onsite inspection of various Branches during 2013.

Credit proposals that merit considerations in the opinion of the Credit Committee are presented before the Managing Director of the Bank for approval. The credit proposals that are beyond the delegated business power of the Managing Director are placed before the Executive Committee / Board of Directors for consideration / approval. The meetings of the Committee holds regularly to approve and review loan proposals.

### SHARE BUY - SALE COMMITTEE

A committee in the name of Share Buy and Sale Committee (SBSC) was formed for buying and selling share / debentures on behalf of the clients as well as for doing the same for BDBL's own portfolio with the recommendations / instructions of the Committee. The members of the Committee were as follows :-

1.	General Manager	Finance and Accounts Division
2.	Deputy General Manager	Head of Investment Banking Department
3.	Deputy General Manager	Head of Central Accounts Department
4.	Assistant General Manager	Investment Banking Department Secretary of the Committee

### RISK MANAGEMENT UNIT (RMU)

A Risk Management Unit (RMU) was formed with the following officials of the Bank to strongly observe the risk level, monitor compliance of the risk management guidelines by the Divisions, Departments and Branches and do stress testing regularly and thereby take necessary steps to check and control the risk relating to banking activities :-

1.	General Manager Compliance Division	Chairman
2.	Head of Central Accounts Department	Member
3.	Head of Loan Recovery Department	Member
4.	Head of Compliance Department	Member
5.	Head of Branch Management Department	Member
6.	Head of Audit & Inspection Department	Member
7.	Head of Loan Operation Department	Member
8.	Head of Risk Management Department	Member
9.	Senior Principal Officer, Risk Management Department	Member-Secretary

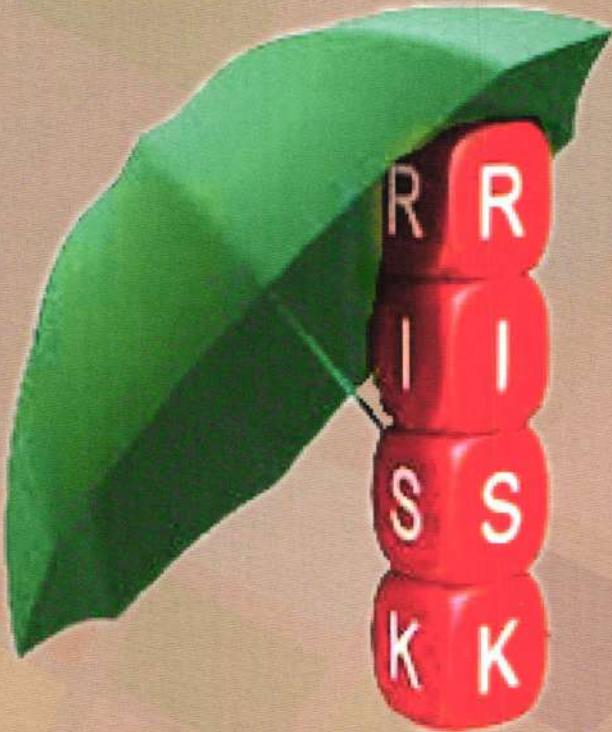
The Risk Management Unit (RMU) will take advance preparation to address any kind of financial stress and inform the Chief Executive Officer.

	ii) The Board shall focus its special attention to the development of skills of the Bank's staff in different fields of its business activities including prudent appraisal of loan / investment proposals and to the adoption of modern electronic and information technologies and introduction of effective Management Information System (MIS). The Board Shall get this programs incorporated in its annual work plan.	Complied
<b>(e) Financial Management</b>		
	i) The annul Budget and the statutory Financial Statements shall finally be prepared with the approval of the Board. It shall at quarterly rest review / monitor the position in respect of the Bank's income, expenditures, liquidity, mom – performing assets, Capital base and adequacy, maintenance of loan loss provision and steps taken for recovery of defaulted loans including legal measures.	Complied
	ii) The Board shall frame the policies and procedures for Bank's purchase and procurement activities and shall accordingly approve the distribution of power for making such expenditures. The maximum possible delegation of such power rest on the CEO and his subordinates. The decision on matter relating to infrastructure development and purchase of land, building, vehicle etc. for the purpose of Banking business shall however be adopted with the approval of the Board.	Complied
<b>(f) Formation of supporting committees</b> For decision on urgent matters an executive committee whatever name called, may be formed with the directors. There shall be no committee of the board other than the Executive Committee and the Audit Committee. No alternate director shall be included in these committees.		Complied
<b>(g) Appointment of CEO</b> The Board shall appoint a competent CEO for the Bank with the approval of Bangladesh Bank.		Complied
<b>2. Responsibilities of the Chairman of the Board</b>		
	(a) As the chairman of the Board of Directors (or Chairman of any committee formed by the Board or any Director) does not personally possess the jurisdiction to apply policymaking or executive authority, he/she shall not participate in or interfere into the administrative or operational and routine affairs of the Bank.	Complied
	(b) The chairman may conduct on-site inspection of any Bank Branch or financing activities under the purview of the oversight responsibilities of the Board. He may call for any information relating to Bank's operation or ask for investigation into any such affairs; he may submit such information or investigation report to the meeting of the Board or the Executive Committee and if deemed necessary, with the approval of the Board, he shall effect necessary action thereon in accordance with the set rules through the CEO. However any complaint against the CEO shall have to be apprised to Bangladesh through the Board along with the statement of the CEO.	Complied
	(c) The Chairman may be offered an office-room, a personal secretary/ assistant, a telephone at the Office and a vehicle in the business-interest of the Bank subject to the approval of the Board.	Complied

**Status of Compliance of Bangladesh Bank Guideline for Corporate Governance  
(BRPD circular no. 16 dated 24.07.2003)**

Sl No.	Particulars	Compliance Status
<b>1</b>	<b>Responsibilities and authorities of the Board of Directors</b>	
	<b>(a) Work planning and strategic management</b>	
	i) The Board shall determine the objectives and goals and to this end shall chalk out strategies and work plan on annual basis. It shall specially engage itself in the affairs of making strategies consistent with the determined objectives and goals and in the issues relating to structural change and re-organization for enhancement of institutional efficiency and other relevant policy matters. It shall analyze/monitor at quarterly rest the development of implementation of work plan.	Complied
	ii) The Board shall have its analytical review incorporated in the Annual Report as regard the success/failure in achieving the business and other targets as set out in its annual work plan and shall apprise the shareholders of its opinions/recommendations on future plan and strategies. It shall set the Key Performance Indicator (KPI) for the CEO and other senior executives and have it evaluated at times.	Complied
	<b>(b) Loan and Risk Management</b>	
	i) The policies, procedures, strategies etc. in respect of appraisal of loan/investment proposal, sanction, disbursement, recovery, re-schedulement and write-off thereof shall be made with the Board's approval under the purview of the existing laws, rules and regulations. The Board shall specifically distribute the power of sanction of loan/investment and such distribution should desirably be made among the CEO and his subordinate executives as much as possible. No director, however, shall interface, directly or indirectly, into the process of loan approval.	Complied
	ii) The Board shall frame polices for risk management and get them complied with and shall at quarterly rest the compliance thereof.	Complied
	<b>(c) Internal Control Management</b>	Complied
	i) The Board shall be vigilant on internal control system of the Bank in order to attain and maintain satisfactory qualitative standards of its loans/investments portfolio. It shall review at quarterly rest the report submitted by its audit committee regarding the compliance of recommendations made in internal and external audit report and Bangladesh Bank inspection reports.	
	<b>(d) Human Resource Management and Development</b>	Complied
	i) Policies relating recruitment, promotion, transfer, disciplinary and punitive measures human resources development etc. and service rules shall be framed and approved by the Board. The Chairman and the Directors shall in no way involve themselves and interfere into or influence over any administrative affairs including recruitment, promotion, transfer and disciplinary measures as executed under the set service rules. No member of the Board of Directors shall be included in the selection committees for recruitment and promotion of different levels. Recruitment and promotion to the immediate two tiers below the CEO shall, however rest upon the Board. Such recruitment and promotion shall have to be carried out complying with the service rules i.e. policies for recruitment and promotion.	

# REPORT ON RISK MANAGEMENT



3.	<p><b>Responsibilities of Adviser</b></p> <p>The Adviser whatever name called, shall advise the Board of Directors or the CEO on such issue only for which he is engaged in terms of conditions of his appointment. He shall neither have to access to the process of decision-making nor shall have the scope of effecting executive authority in any matters of the Bank including financial, administrative or operational affairs.</p>	Complied
4.	<p><b>Responsibilities and authorities of CEO</b></p> <p>The CEO of the Bank whatever named called, shall discharge the responsibilities and effect the authorities as follows :-</p>	Complied
(a)	<p>In terms of financial business and administrative authorities vested upon him by the Board, the CEO shall discharge his own responsibilities. He/She shall remain accountable for achievement of financial and other business targets by means of business plan, efficient implementation thereof and prudent administrative and financial management.</p>	Complied
(b)	<p>The CEO shall ensure compliance of Bank Companies Act, 1991 or other laws/regulations and if in discharged of routine function of the Bank.</p>	Complied
(c)	<p>The CEO shall report to the Bangladesh Bank of issues in violation of Bank Companies Act, 1991 or other laws/regulations and if required, may apprise the Board post facto.</p>	Complied
(d)	<p>The recruitment and promotion of all staff of the Bank except those in the two tiers below him/her shall rest on the CEO. He/She shall act in such cases in accordance with the approved service rules on the basis of human resources policies and approved delegation of employees as approved by the Board. The Board or Chairman of any committee of the Board or any Director shall not get approved of interfere into such affairs. The authorities relating transfer of and disciplinary measures against the staff, except those at one tier below the CEO shall rest on him, which he shall apply in accordance with the approved service rules. Besides, under the purview of the human resources policy as approved by the Board, he /she shall nominate Officers for training etc.</p>	Complied

upgrading the existing Risk Management Policy. Risk Management in BDBL is conducted by a group of officers' who are able to analyze and manage banking risk efficiently and create positive business environment. A number of techniques are applied efficiently to manage operational risk in BDBL's business.



Risk management is an ongoing process that continues through the life of a project. It includes processes for risk management planning identification, analysis, monitoring and control. Many of these processes are updated throughout the project lifecycle as new risks can be identified at any time. It's the objective of risk management to decrease the probability and impact of events adverse to the project. The identification of risk normally starts before the project is initiated, and the number of risk increase as the project matures through the lifecycle. When a risk is identified, it's first assessed to ascertain the probability of occurring, the degree of impact to the schedule, scope, cost and quality, and then prioritized. Risk events may impact only one or while others may impact the project in multiple impact categories. The probability of occurrence, number of categories impacted and the degree (high, medium, low) to which they impact the project will be the basis for assigning the risk priority. All identifiable risks should be entered into a risk register, and documented as a risk statement.

### Management Organization:

The Risk Management governance structure is mentioned below:

Board of Directors	▶	Approve policies and processes of Risk Management (RM).
Board Audit Committee	▶	Reviews Internal control system, internal audit & RM report of the Bank.
Committee at Management Level (MANCOM)	▶	Monitor & review adequacy & efficacy of control systems through related RM Committees.
RM Committees (ALCO, FEx, AML, ICC, ICT)	▶	Manage various risks at different levels.

The Managing Director is the Chief Risk Officer (CRO) of BDBL. The CRO is playing due role for overall risk management function.

## Risk:

A probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through preemptive action.

The probability that an actual return on an investment will be lower than the expected return. Financial risk is divided into the following categories: Basic risk, Capital risk, Country risk, Default risk, Delivery risk, Economic risk, Exchange rate risk, Interest rate risk, Liquidity risk, Operations risk, Payment system risk, Political risk, Refinancing risk, Reinvestment risk, Settlement risk, Sovereign risk, Underwriting risk etc.

## Risk Management:

By definition, risk management is the process of measuring or assessing the actual or potential dangers of a particular situation. It focuses on reporting, oversight and segregation of duties within the organization.

Risk Management encompasses identification, analysis, assessment, control, and avoidance, minimization, or elimination of unacceptable risks. An organization may use risk assumption, risk avoidance, risk retention, risk transfer, or any other strategy (or combination of strategies) in proper management of future events. Risk Management has become one of the most sensitive and crucial factor in the Banking business all over the world. BDBL is very much aware and careful about its risk factors and taking appropriate steps under the instruction of the top management of the Bank continuously. The overall focus of risk management of Bangladesh Development Bank Ltd. (BDBL) in 2013 was on maintaining Bank's risk profile in line with Bank's strategy, strengthening its capital base and supporting the Bank's strategic goals. The flow chart of risk management is as follows:



## Risk Management in BDBL:

The prime objective of the risk management by BDBL is:

- To take calculation of business risk;
- To safeguard the Bank's capital;
- To preserve financial resources from spoilage;
- To enhance regular growth of profitability from various unit.

BDBL has introduced individual Risk Management Department under the guidance of a General Manager, Internal control & Compliance Division, with the responsibilities to upgrade, develop and implement of the core risk management of the Bank. The Risk Management Department has already

## CRM Activities of BDBL:

Following principles are maintained for credit risk management:

- Client due diligence, which is aligned with our country and industry portfolio strategies also emphasize on the size & type, purpose, structure (term, conditions, repayment schedule & interest rate) and securities of the loan proposed.
- Prevent undue concentration and large unexpected losses by ensuring a diversified and marketable credit portfolio.
- Assess and manage client, industry and product-specific concentrations actively against BDBL's risk appetite.
- Initiate and review the assessment process periodically at Branch / Head Office level which is placed before Executive Committee (EC) of Board for approval. The process includes borrower analysis, industrial analysis, repayment sources analysis, mitigating factors etc.
- Strictly follow the conditions of Bangladesh Bank to set up single borrower or large loan limit, i.e. total of funded and non- funded loan limit is 15% of BDBL's entire capital.

Credit Risk Grading (CRG) system is followed by BDBL as per Bangladesh Bank's instruction considering the criteria as mentioned below:

<b>Financial Risk</b>	Leverage Liquidity profitability Coverage
<b>Business / Industry Risk</b>	Size of Business Age of Business Business Outlook Industry Growth Market Competition
<b>Management Risk</b>	Experience Succession Team work
<b>Security Risk</b>	Security Coverage Collateral Support
<b>Relationship Risk</b>	Account Conduct Utilization of Limit Compliance of Covenants Personal Deposits

BDBL also follows Bangladesh Bank guidelines regarding CIB reporting, provisioning, write off of bad and doubtful debts and suspension of interest.

### **Scope of Risk Policy:**

This Risk Management Policy covers full range of commercial lending activities, project loan, SME loan and all other operational activities of the bank and shall apply to all the Branches, Zone offices and Departments.

The Risk Management Department has already under taken the task of upgrading the existing Core Risk Manuals with the latest instructions and preparation of due diligence Check Lists for each and every 7 (seven) core risk aiming to appropriate implementation of Core Risk Manuals. Core Risks are as follows:

- (01) Credit Risk.
- (02) Foreign Exchange Risk.
- (03) Asset and Liability Risk [Balance Sheet Risk]
- (04) Internal Control and Compliance Risk.
- (05) Money Laundering Risk [Anti-money Laundering & Terrorism Risk].
- (06) IT Security Risk.
- (07) Environmental Risk.

### **Credit Risk Management:**

Credit risk is one of the prime risks of a Bank. It indicates the potential loss arising from contractual failure of the borrower with the Bank. The failure may be resulted from unwillingness of the borrower or due to decline of the financial conditions.

BDBL emphasizes to manage credit risk in the entire range as well as the risk in individual credits or transactions. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of BDBL.

On the basis of Bangladesh Bank's credit risk management policies, a manual of Credit Risk Management (CRM) and Green Banking Unit (GBU) has been formed and approved by BDBL's Board of Directors. The duties of the executives & officers working in the credit areas like credit approval, administration, monitoring and recovery functions, have been segregated for smooth functioning.

Asset Liability Committee (ALCO) of BDBL regularly reviews risk exposures in the following manner:

- It analyses and advises for both the opportunities and threats to its liquidity and balance sheet position as well as positions of maturing assets and liquidity contingency plan.
- It oversees the liquidity management of treasury by-
  - (i) Setting tolerance for cumulative cash flow mismatches ( maximum cumulative outflow limit 20% of balance sheet assets),
  - (ii) Setting limit on loan to deposit ratio (85% maximum)
  - (iii) Setting limit on dependence on institutional deposits that are volatile in nature.
- ALCO also monitors the rate sensitive assets and liabilities of the Bank.

ALM desk plays vital role in managing liquidity, interest sensitive assets and interest sensitive liabilities. ALCO paper is the main support for ALCO meeting in taking decision. This paper is prepared by the ALM desk of Central Accounts Department of the Bank. In BDBL, ALCO paper contains all the information regarding liquidity based on historical requirements, current liquidity position, anticipated future funding requirement, sources of fund and options for reducing funding needs, present and anticipated asset quality, present and future earning capacity along with capital position. Thus, all the decisions are made based on practical scenario.

### Statutory Liquidity Position of BDBL

BDBL maintains its regulatory requirement of CRR. Liquidity position and lending as well as borrowing scenario of BDBL during in 2013 and 2012 are shown below:

### Maintaining Statutory Liquidity in BDBL

(Tk. in crore)

Particulars		December 2013		December 2012	
		%	Tk.	%	Tk.
Cash Reserve Requirement	Required	6	87.50	6	46.23
	Maintained	6.94	101.24	6.67	51.40
<b>Surplus</b>		0.94	13.74	0.67	5.17

## Picture of Total Loans and Advances of BDBL

(Tk. in crore)

particulars	December 2013	December 2012
Total Loans and Advances	1545.72	1474.31
Classified amount (Opening)	541.79	310.70
Less total recovery adjustment during the year	73.22	19.03
Add newly classified during the year	52.38	250.12
Classified amount (Closing)	520.95	541.79
% of Classified loan	33.70%	36.75%

### Asset Liability Risk Management:

Asset Liability Management (ALM) is one of the key areas of managing a Bank's balance sheet efficiently. The main objectives of ALM are to manage balance sheet risk i.e. liquidity risk & interest risk and to maintain adequate capital.

BDBL has its own guideline for asset liability management which is approved by BDBL's Board of Directors. Considering all risk factors, the Bank has established an effective ALM process for assessing, analyzing and reviewing various kinds of risk exposures arising from composition and dynamics of the balance sheet.

The Asset Liability Committee of the Bank was constituted with the following officials, where the Managing Director is the Chairman of the Committee:-

1.	Managing Director	Chairman
2.	General Manager of Finance & Accounts Division	Member
3.	General Manager of Development Banking Division	Member
4.	Head of Branch Management Department	Member
5.	Head of Loan Operation Department	Member
6.	Head of Investment Banking Department	Member
7.	Head of Central Accounts Department	Member-Secretary

## Lending and Borrowing from Call Money Market

(Tk. in crore)

Particulars	December 2013	December 2012
Lending	65.01	15.01
Borrowing	-	-

As per the structural liquidity profile of BDBL, Medium Term Funding (MTF) and Maximum Cumulative Outflow (MCO) as on December, 2013 is as follows:

Particulars	December 2013	Ideal Scenario
MTF Ratio	1.54%	30% to 40%
MCO	2.97%	10%
Loan Deposit Ratio	85.66%	80% - 85%

According to Duration Gap Analysis, the fall in market value of equity due to 1% change in interest rate for 31 December 2013 is TK. 92.91 crore.

## Interest Earning Assets

(Tk. in crore)

Particulars	December 2013	December 2012
Balance with other Banks & FIs	976.64	287.18
Investments	71.30	43.46
Money at Call & Short Notice	65.01	15.00
Loans & Advances	1024.67	932.52
Others	-	-
<b>Total</b>	<b>2137.62</b>	<b>1278.16</b>

## Interest bearing Liabilities

(Tk. in crore)

Particulars	December 2013	December 2012
Borrowing	30.39	26.68
Deposits and other A/Cs	1981.33	773.66
<b>Total</b>	<b>2011.72</b>	<b>800.34</b>

## Net Interest Income

(Tk. in crore)

Particulars	December 2013	December 2012
Total Interest income	197.73	150.84
Total interest expense	102.82	62.86
<b>Net Interest Income</b>	<b>94.91</b>	<b>87.98</b>

## Foreign Exchange Risk Management:

Foreign Exchange Risk is defined as the possibility of losses due to change in exchange rates according to market forces. The Foreign Exchange Risk of the Bank is minimal as all the transactions are carried out on behalf of the customers against underlying Foreign Exchange transactions. Treasury Division independently conducts the transactions and the Back Office of Treasury is responsible for verification of the deals and passing of their entries in the books of account. All foreign exchange transactions are revalued at Mark-to Market rate as determined by the Bangladesh Bank at the month-end. All Nostro accounts are reconciled on monthly basis and outstanding entries beyond 30 days are reviewed by the Management for their settlement.

## Money Laundering Risk Management:

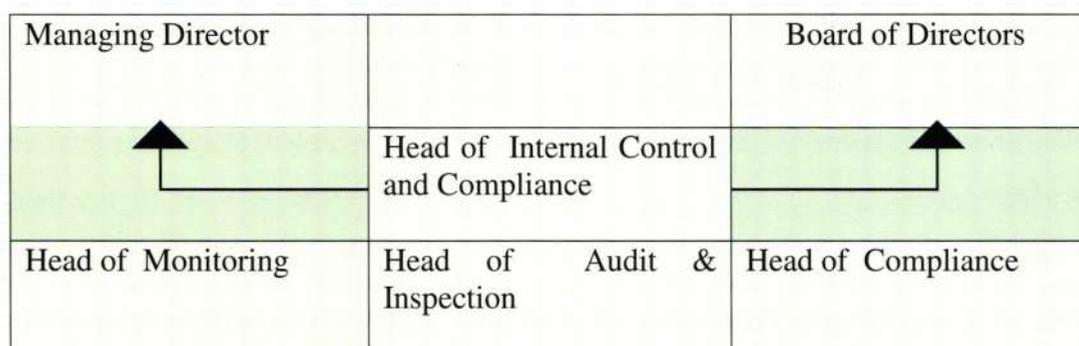
Money laundering risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering. For mitigating the risk, the Bank has designated Chief Compliance Officer at Head Office and Compliance Officer at Branches, who independently review the transactions of the accounts to verify suspicious transactions. Manuals for Prevention of Money Laundering has been prepared and uniform Know Your Customer (KYC) and Transaction Profile (TP) have been introduced. Training has been continuously given to all the category of Executives and Officers for developing awareness and skill for identifying suspicious transactions and other Money Laundering related activities.

BDBL has a Central Compliance Unit (CCU) headed by the Chief Anti Money Laundering Compliance Officer( General Manager) and Money Laundering prevention Committee (MLPC) headed by Deputy Managing Director to supervise the overall AML and CFT activities. Each Branch of BDBL has an Anti Money Laundering Compliance Officer (BAMLCO) who is responsible for compliance of Bangladesh Bank instructions relating to AML / CFT (Anti Money Laundering / Combating Financing of Terrorism) activities in the Branch. Risk is identified by the Branch through analyzing the KYC (Know Your Customer) and TP (Transaction Profile). CTR (Cash Transaction Report) is sent to the Head Office on monthly basis for cash transaction of 10 (ten) lac or above in a day. All these reports are sent to Bangladesh Bank through special software within 21st of every month.

### Internal Control and Compliance Risk Management:

Operational loss may arise from errors and fraud due to regulatory failure of Internal Control and Compliance. Management through Internal Control and Compliance Division controls procedures of the Bank. Internal Control and Compliance Division undertakes periodical and special audit of the Branches and Departments at Head Office for review of the operation and compliance of the statutory requirement. The Audit Committee of the Board subsequently reviews the report of the Internal Control and Compliance Division.

Internal Control structure of ICC of BDBL is shown below:



The functions of two Departments of ICC (Audit & Inspection Department and Compliance Department) are to manage the cross divisional and cross regional operational risk as well as risk concentrations at Branch level. These Departments ensure a consistent application of the operational risk management strategy across the Bank.

Audit & Inspection Department performs risk-oriented reviews of the design and operating effectiveness of BDBL's system of internal controls. Internal audit is conducted at periodical intervals to ensure compliance of the policies of the Bank and regulatory bodies.

## **Information & Communication Technology Risk**

Information technology has improved over the years and the Bank is gradually becoming dependent on its use for performing our most of the activities. Information & Communication Technology (ICT) encompasses all fields of data / information processing, transmission and communication by means of computers and telecommunication techniques.

For smooth operation of the Bank's activities with desirable efficiency, a network-based computerized system is established in the Bank. A reliable computer-based information system is essential for efficient management and operation of all the areas of the organization and the Bank is moving towards that direction.

In order to govern and control the ICT areas, covering the functions of all the Departments in the Head Office and the Branches & Zones located in different Districts of Bangladesh, the Bank follows the Guidelines of the Bangladesh Bank. These policies are strictly followed at each level in the Bank.

Risk management is an important business discipline that an organization should embrace to minimize the effects of risks on its returns and capitals. ICT Department looks after all the affairs related to computer, printer, UPS, LAN, WAN, Software, Hardware and IT-based technologies as well as their proper maintenance under certain pre-fixed criteria. Central & Backup Server room have a glass enclosure with lock and key with a responsible person of the ICT Department / Branch Office. Physical access is restricted. Server rooms are air-conditioned and dust proof .Uninterruptible Power Supply (UPS) is used to ensure the power for the servers. CCTV camera is also used to monitor physical security. Servers and work stations are password protected. Database and software's are highly protected by multilevel passwords. The entire password is preserved securely. Besides, all the file and folders are protected from virus by using updates antivirus software. The sensitive information is kept in the restricted area in the networking environment.

## **Risk Management Unit (RMU)**

The Risk Management Unit (RMU) in a Bank can play a vital role in managing and mitigating risk by critical risk assessment and management as well as regular monitoring. According to Bangladesh Bank instruction, the RMU (at present Risk Management Department) of BDBL has been formed with the vision to establish a comprehensive risk management process in the bank and to ensure a continuous sound banking practice. The main objective of RMU is to prevent Bank from taking excessive risk.

Organogram of Risk Management Unit of BDBL is shown below:

1.	General Manager Compliance Division	Chairman
2.	Head of Central Accounts Department	Member
3.	Head of Loan Recovery Department	Member
4.	Head of Compliance Department	Member
5.	Head of Branch Management Department	Member
6.	Head of Audit & Inspection Department	Member
7.	Head of Loan Operation Department	Member
8.	Head of Risk Management Department	Member
9.	Senior Principal Officer, Risk Management Department	Member-Secretary

The Risk Management Unit (RMU) will take advance preparation to address any kind of financial stress and inform the Chief Executive Officer.

### **Role of Risk Management Unit (RMU)**

The RMU is concerned with providing comprehensive and effective framework for measuring, monitoring and mitigating risk exposures in the context of business strategy of BDBL. The functions of RMU are:

- To observe and ensure compliance with core risks management guidelines at the division , department level and desk level.
- To analyze data / information through preparation of risk management paper.
- To analyze the Bank's own resilience capacity towards facing financial difficulties of the Bank.
- To conduct periodic stress tests so that no inexplicable error exists in operations of the Bank.
- To oversee the capital management function of the Bank in line with the Basel II accords.
- To review market conditions and take precautionary measures toward facing abnormal market situation and vulnerability of investment of the Bank.
- To highlight risky portfolios in the monthly meeting based on the reports of risk management committees on timely manner to the senior management.

### Initiative taken by Risk Management Unit of BDBL

- The Risk Management Unit of BDBL is engaged in coordinating the risk management activities, Basel -II implementation and stress testing by providing regular report regarding various risk position to the senior management as well as to Bangladesh Bank.
- The RMU convenes monthly meeting on various issues to determine strategies in consistency with risk management policy, which can measure, monitor, and maintain acceptable risk level of the bank. Minutes of each meeting are submitted to Bangladesh Bank on quarterly basis.
- In addition, risk management paper is prepared on monthly basis by the members of RMU addressing different areas of risk and meeting their tools and techniques and submitted to Bangladesh Bank as well as to Board Audit Committee on quarterly basis.
- To create awareness and establish risk management culture at branch level, a daylong workshop on core risk management was arranged by the RMU for the Zonal Heads and Corporate Branch Heads. The resource persons were invited from Bangladesh bank to share knowledge on seven core risks and their management.
- Risk Management Unit, as an integral part of Supervisory Review Process (SRP) team is also engaged in preparing Internal Capital Adequacy Assessment Process (ICAAP) for BDBL.

### RISK MANAGEMENT COMMITTEE (RMC)

The Bank established a Risk Management Committee with the following Board of Directors:

1.	Prof. Santi Narayan Ghosh Chairman	Chairman of the committee
2.	Mr. Dewan Nurul Islam Director	Member
3.	Md. Khalilur Rahman Siddiqui Director	Member
4.	Md. Fayekuzzaman, MD, ICB Director	Member
5.	Advocate Md. Abdus Salam Director	Member

The RMC is entrusted with the following responsibilities and functions:

- Identify Risk and set strategy to manage it;
- Prepare organizational framework;
- Overview Risk Management Policy & Guidelines from time to time;
- Analyze data preservation & Reporting system and approve it, The committee also supervise whether the system is used or not; and
- Supervise overall Risk Management System.

## Risk Management paper:

Bank has to prepare a risk management paper and must place the same in the monthly meeting of the Risk Management Unit (RMU) at present the Risk Management Department, as per guideline of Bangladesh Bank.

Risk management paper is prepared by the RMU of BDBL according to the prescribed format of Bangladesh Bank. Monthly meeting of RMU is conducted on the basis of analysis and recommendation made in the RM paper.

RM paper is submitted to the Department of off-site supervision, Bangladesh Bank (for successive months of each quarter) along with the minutes of the meetings within 10 days of each quarter end as per following sequences:

- Credit Risk
- Liquidity Risk
- Market Risk
  - (i) Interest rate risk
  - (ii) Equity price risk
  - (iii) Foreign exchange risk
- Operational Risk
- Interest rate risk in the banking book
- Reputation Risk
- Core risk management ratings and implementation status
- Oversee the capital management function
- Analysis of Bank's own resilience capacity
- Evaluation of stress test result
- Recommendations, suggestions and steps taken.

## Basel II Framework

The Basel Accord is the cornerstone of international risk- based banking regulation banking supervision. Basel-II is a banking risk and capital management framework dealing with three distinct areas commonly known as pillars where-

**Pillar-1:** Minimum Capital Requirement

**Pillar-2:** Supervisory Review Process

**Pillar-3:** Market Discipline through disclosure of material information

BDBL started to implement revised regulatory capital framework “ Risk Based Capital Adequacy for Banks ” from January 2009. Regular reporting is ensured by Risk Management Division (RMD) to the Department of Offsite Supervision (DOS) of Bangladesh Bank by the end of each quarter.

### Pillar-1: Minimum Capital Requirement (MCR)

The first pillar deals with maintenance of regulatory capital calculated for three major components of risk that a Bank faces: credit risk, operational risk and market risk.

Comparative scenario of Minimum Capital Requirement (MCR) of BDBL as per Risk Based Capital Adequacy Statement (Basel II) is as follows:

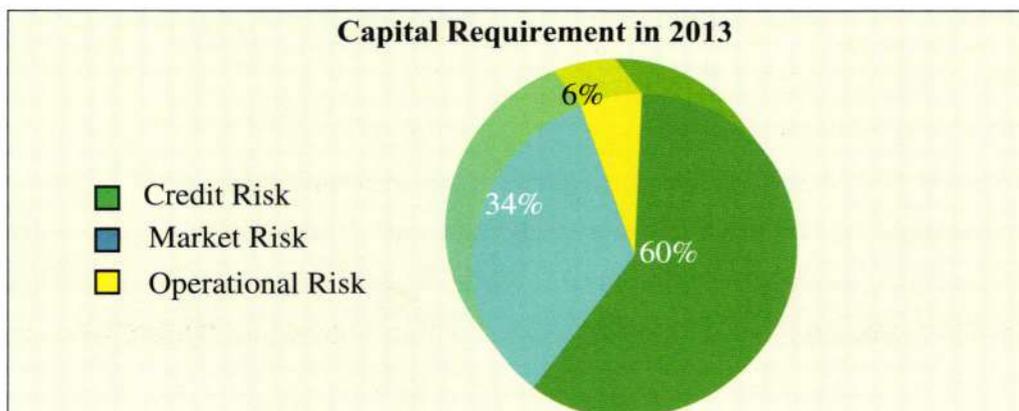
(Tk. in crore)

Eligible Capital	December 2013	December 2012
Tier-1 (Core Capital)	825.06	733.05
Tier-2 (Supplementary Capital)	368.37	376.40
Tier-3 (Additional supplementary Capital)	-	-
<b>Total Eligible Capital</b>	<b>1193.43</b>	<b>1109.45</b>
Total risk Weighted Assets (RWA)	4815.50	4069.37
Capital Adequacy Ratio (CAR)	24.78%	27.26%
Core Capital to RWA	17.13%	18.01%
Supplementary Capital to RWA	7.65%	9.25%
<b>Minimum Capital of Requirement (MCR) 10% of RWA</b>	<b>481.55</b>	<b>406.94</b>
<b>Capital Surplus</b>	<b>711.87</b>	<b>702.51</b>

Comparative scenario of Risk Weighted Assets (solo) as per Statement of Risk Based Capital Adequacy (Basel II) is as follows:

(Tk. in crore)

Risk Weighed Assets (RWA) for	December 2013	December 2012
Credit Risk	2892.94	2845.73
Market Risk	1642.80	952.69
Operational Risk	279.83	270.95
<b>Total RWA</b>	<b>4815.57</b>	<b>4069.37</b>



## **Pillar-2 Supervisory Review process**

The key principle of the Supervisory Review process (SRP) as per Bangladesh Bank Guidelines 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”.

BDBL has an exclusive body called SRP team where RMU is an integral part. RMU, under direct supervision of SRP team of BDBL, prepared ICAAP (Internal Capital Adequacy Assessment Process) for assessing the bank’s overall risk profile and a strategy for maintaining adequate capital. BDBL has a capital plan to raise its capital against risks to fulfill Bangladesh Bank’s requirement.

To assess required capital in pillar-2, the risk that should be considered are:

- Residual Risk
- Concentration Risk
- Liquidity Risk
- Settlement Risk
- Strategic Risk
- Interest Rate Risk in the Banking Book
- Reputation Risk
- Appraisal of Core Risk Management
- Environmental and Climate change Risk and
- Other material risk.

### **Residual risk**

BDBL has proper risk management procedures in place to control the risk that result from the use of credit risk mitigating techniques, including residual operational and legal risks.

The following factors are considered under residual risk while preparing ICAAP-

- a) The liquidation procedure of the collateral is difficult and time consuming.
- b) The valuation of the collateral is inappropriate (e.g. overvaluation).

BDBL has appropriate governing and control systems, valuation procedures, internal regulations and responsible individuals assigned for the prudent handling of these risks.

## **Credit concentration risk**

Credit concentration risk has the potential to be a source of extensive losses. Thus the policy to handle this risk is an integral part of risk management system of BDBL. The following concentration is considered under SRP of BDBL:

- (i) By economic sector or geographical location
- (ii) In a specific foreign currency.
- (iii) Of credit-risk mitigating techniques (concentration of collaterals or the type or issuer of such assets).

## **Interest rate risk in the banking book**

BDBL has taken Interest rate risk in the banking book also as a potential risk. Sources and types of interest rate risks in banking book are:

- (i) Gap or mismatch risk
- (ii) Basis risk
- (iii) Net interest position risk
- (iv) Embedded option risk etc.

## **Liquidity Risk**

Liquidity Risk occurs when a bank is unable to fulfill its commitments in time when payment falls due. BDBL estimates liquidity risk by comparing liquid assets to short-term liabilities. BDBL analyzes the expected changes of its liquidity by comparing the maturity of its receivables and payables. BDBL has contingency plans approved by the Board for handling potential liquidity crisis.

## **Settlement risk**

Settlement risk is also considered by the SRP of BDBL. Settlement risk addresses to the credit risk and liquidity risk elements. Treasury transactions, trading book items (deals) and capital market dealings concluded as part of investment services convey a settlement risk that is a specific mix of credit and liquidity risk.

## **Reputation risk**

Reputation risk is the current or prospective indirect risk to earnings and capital arising from adverse perception of the image of the financial institution on the part of customers, counterparties, shareholders, investors or regulators. BDBL provides training to the manpower, applies modern technology, performs corporate social responsibilities etc. to ensure quality customer services.

### **Strategic risk**

Strategic risk means the current or prospective risk to earnings and capital arising from changes in the business decisions, or from the overlooking of changes in the business environment. BDBL regularly revise its strategy in line with clearly articulated requirements of regulators and trends of the economic environment to manage strategic risk.

### **Environmental and climate change risk**

Environment risk has taken into account by BDBL under SRP as environmental and climate change risk refers to the uncertainty or probability of losses that originates from any adverse environmental or climate change events (natural or man-made) and/or the non-compliance of the prevailing national/BB environmental regulations. Environmental and climate change risk can hamper the business stability of the borrowers in respect of both-

- i) Profitability and
- ii) Reputation.

Consequentially, the extent of risk for the bank will be higher.

### **Other material risk**

SRP of BDBL also covers risk if any, not been identified earlier but are material for the bank's internal capital allocation process.

### **Pillar – 3: Market Discipline through disclosure of material information**

BDBL has its own disclosure framework for disclosure of its material information which is the requirement of pillar-3 of Basel -II. It includes both qualitative and quantitative information that are important for the stakeholders. The disclosure framework of BDBL is approved by the Bank's Board of Directors and it describes the Bank's risk management objectives and policies for each separate risk area (credit, market, operational, banking book interest rate risk, equity), including :

- strategies and processes;
- the structure and organization of the relevant risk management function;
- the scope and nature of risk reporting and/ or measurement system;
- Policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigates.

BDBL also disclosed the following components in a tabular form:

- Scope of application
- Capital structure
- Capital adequacy
- Credit risk
- Equities; disclosure for banking book positions
- Interest rate risk in the banking book (IRRBB)
- Market risk
- Operational risk

The disclosure of BDBL based on audited financial statement is available in the Bank's website and annual report.

### **Stress Testing:**

Stress Testing is a series of tests to quantify the impact of changes in a number of risk factors on the assets and liabilities using a set of exceptional but plausible events in abnormal market condition.

Stress Testing is performed by RMD on quarterly basis for managing risk proactively in an adverse economic condition. RMD ensures regular reporting to the senior management of BDBL as well as the Department of Offsite Supervision (DOS) of Bangladesh Bank by the end of each quarter.

### **Stress Testing Methodology:**

Different shocks in stress testing are:

- (i) Minor shock
- (ii) Moderate shock
- (iii) Major shock

### **Risk Factors in Stress Testing:**

- (i) Credit Risk
- (ii) Interest Rate Risk
- (iii) Exchange Rate Risk
- (iv) Equity Price Risk
- (v) Liquidity Risk

## **Basel III Framework**

Basel-III is a part of continuous effort made by the Basel Committee on Banking Supervision to enhance the Banking regulatory framework to improve the regulation, supervision and risk management within the Banking sector. It mainly focuses on:

- (a) Strengthening Capital Base;
- (b) Maintaining Liquidity Standards;
- (c) Seeks to improve the Banking sector's ability to deal with financial and economic stress;
- (d) Improved risk management;
- (e) Strengthen the Bank's transparency and
- (f) Foster greater resilience at the individual Bank level.

Basel III also contains entirely new liquidity requirements: the Net Stable Funding Ratio (NSFR) and the Liquidity Coverage Ratio (LCR).

### **Strengthening Capital Base**

Capital base would be strengthened through raising the quality, consistency and transparency. The predominant form of Tier 1 capital must be common shares and retained earnings. In addition, Tier 2 capital instruments will be harmonized and so-called Tier 3 capital instruments, which were only available to cover market risks, will be eliminated. Finally, to improve market discipline, the transparency of the capital base will be improved with all elements of capital required to be disclosed along with a detailed reconciliation to the reported accounts.

### **Maintaining Liquidity Standard**

For maintaining liquidity, Basel III introduced two global liquidity standards called Liquidity Coverage ratio (LCR) and Net Stable funding ratio (NSFR).

### **Liquidity Coverage Ratio (LCR)**

The LCR is intended to promote resilience to potential liquidity disruptions over a thirty day horizon. It will help ensure that global banks have sufficient unencumbered, high quality liquid assets to offset the net cash outflows it could encounter under an acute short term stress scenario.

### **Net Stable funding ratio (NSFR)**

The NSFR requires a minimum amount of stable sources of funding at a bank relative to the liquidity profiles of the assets, as well as the potential for contingent liquidity needs arising from off-balance sheet commitments over a one- year horizon.

### **BDBL's preparation for Basel -III**

- Tier 1 capital of the BDBL includes paid up capital, statutory reserve, general reserve, retained earnings and share deposit whereas Tier 2 capital consists of general provision, revaluation reserves for fixed assets, securities and equity instruments. Tier 2 capital is already harmonized in BDBL as per guidelines of Bangladesh Bank. Eliminating Tier 3 is not applicable for BDBL as the bank does not have any Tier 3 capital.
- BDBL can raise its capital through increasing its operating profit. The bank has a five year capital plan for Strengthening Capital Base.
- BDBL is now preparing itself for maintaining its LCR & NSFR at an adequate level. Statements regarding LCR & NSFR have been prepared and sent to Bangladesh Bank as per their requirement. BDBL is calculating and maintaining Cash Reserve Requirement (CRR) regularly. BDBL's position in call money market is satisfactory.
- BDBL performs scenario analysis, sensitivity analysis and stress testing as per the guidelines of Bangladesh Bank.
- BDBL reports Liquidity profile to Bangladesh Bank on monthly basis within the first five working days of the following month.

BDBL continuously strives to improve its risk and capital management and needs to anticipate all market developments, in particular those of an extreme nature.

# **Auditors Report and Financial Statements**

## **2013**



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## **INDEPENDENT AUDITORS' REPORT**

### **To the Shareholders of Bangladesh Development Bank Limited**

#### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Bangladesh Development Bank Limited and its subsidiaries ("the Group") as well as the separate financial statements of Bangladesh Development Bank Limited ("the Bank"), which comprise the consolidated balance sheet and separate balance sheet as at December 31, 2013 and the consolidated and separate profit and loss account, consolidated and separate statement of changes in equity and consolidated and separate cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Financial Statements and Internal Controls**

Management of Bangladesh Development Bank Limited is responsible for the preparation of financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards as explained in note 2.0 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 Companies 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.

#### **Auditors' Responsibility**

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

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

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

### **Basis for Qualified Opinion:**

- 1.** As per Vendors Agreement dated December 31, 2009 all assets and liabilities of Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Sangstha (BSRS) were to be transferred in the name of Bangladesh Development Bank Limited (BDBL) within the quickest possible time. Such transfer of legal ownership has not yet been made. Moreover, BDBL has been continuing investment in financial instruments (Shares, Debentures and Bond) in the name of BSB and BSRS. It is also observed that BDBL has been submitting income tax return for its employees' pension and gratuity fund to NBR in the name of BSB & BSRS employee's pension and gratuity fund.
- 2.** BDBL has two memberships for BSB portion (one for Dhaka Stock Exchange Ltd and one for Chittagong Stock Exchange Ltd) and one membership for BSRS portion (Dhaka Stock Exchange Ltd) for operating share business. As per BRPD circular # 12 dated: October 14, 2009, a subsidiary company was required to be formed to carry out share business by a bank within January 2010. We observed that BDBL has formed separate subsidiary company for continuing share business with BSRS membership and has taken initiative but not formed separate subsidiary company with BSB membership till to the date of audit. Moreover BDBL has been continuing share business through BSB membership.
- 3.** Depreciation on revalued amount has not been charged in the Profit and Loss Account as per BAS/IAS – 16, rather adjusted directly against revaluation reserve (Note 8 to the financial statements).
- 4.** As per Bangladesh Bank instruction vide memo no. DBI-2(UB-8)/40/2014-62 dated April 20, 2014 BDBL have to make provision of Taka 241,900,000 for total doubtful investment (Shares, Debentures, Bonds and Equity Investments). But BDBL management has made provision amounting to Taka 177,320,785 against the total doubtful investment (Shares, Debentures, Bonds and Equity Investments) resulting a shortfall of provision amounting to Taka 64,579,215.
- 5.** As per BRPD Circular No. 14 dated 25 June 2003, it is stated that amount recovered from written-off loan has to be added with provision maintained for loan loss. Although, BDBL recovered amounting to Taka 115,507,834 from written-off loan and shown as income from written-off loan directly in the profit and loss accounts instead of adding with provision which denotes the non compliance of the above Bangladesh Bank Guidelines.
- 6.** As BDBL has been formed with merger of BSB and BSRS in the year of 2010, the tax assessments in the name of BDBL shall be made from the date of merger while the tax assessments up to the date of merger are to be made for BSB and BSRS as two separate taxable entities. The details of tax status have been disclosed in note no 12.1.1 from which it will transpire that the tax assessments of BSB up to assessment year 2004-05 have since been completed while no action has yet been taken to get tax assessments done for BSRS. We could not ascertain the adequacy of tax provision made in the accounts because of tax assessments of many years have remained pending.

### Qualified Opinion

In our opinion, except for the matters described in the basis for qualified opinion paragraphs, the consolidated financial statements of the group and separate financial statements of the Bank give a true and fair view of the consolidated balance sheet of the group and separate balance sheet of the Bank as at December 31, 2013 and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards as explained in note 2.0.

### Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, the Bank Companies Act, 1991 and the rules and regulations issued by Bangladesh Bank, we also report the following:

- (a) we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (b) to the extent noted during the course of our audit work performed on the basis stated under the Auditor's Responsibility section in forming the above opinion on the financial statements of the Bank and considering the reports of the Management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the Financial Statements and Internal Control:
  - i) internal audit, internal control and risk management arrangements of the Bank [as disclosed in note 2.17 & 2.20 of the financial statements] appeared to be materially adequate;
  - ii) 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];
- (c) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books;
- (d) the balance sheet and the profit and loss account dealt with by the report are in agreement with the books of account;
- (e) the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as with related guidance issued by Bangladesh Bank;
- (f) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- (g) the records and statements submitted by the branches have been properly maintained in the financial statements;
- (h) the information and explanation required by us have been received and found satisfactory; and
- (i) we have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 6,600 person hours for the audit of the books and accounts of the Bank.

Sd/-  
**Howladar Yunus & Co.**  
Chartered Accountants  
Dated: Dhaka - April 30, 2014

Sd/-  
**MABS & J Partners**  
Chartered Accountants  
Dated: Dhaka- April 30, 2014

**Bangladesh Development Bank Limited & its Subsidiary**  
**Consolidated Balance Sheet**  
**As at 31 December, 2013**

	Notes	Amount in Taka	
		2013	2012
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>	<b>3</b>	<b>1,104,860,393</b>	<b>536,466,380</b>
<b>Cash in hand (including foreign currencies)</b>		59,564,446	33,516,345
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)		1,045,295,947	502,950,035
<b>Balance with other banks and financial institutions</b>	<b>4(a)</b>	<b>10,667,352,616</b>	<b>3,309,200,772</b>
In Bangladesh		10,607,123,844	3,234,156,431
Outside Bangladesh		60,228,772	75,044,341
<b>Money at Call and Short Notice</b>	<b>5</b>	<b>650,077,470</b>	<b>150,075,828</b>
<b>Investments</b>	<b>6(a)</b>	<b>7,877,974,581</b>	<b>3,182,973,297</b>
Government		3,061,100	4,310,200
Others		7,874,913,481	3,178,663,097
<b>Loans and Advances</b>	<b>7(a)</b>	<b>15,392,302,825</b>	<b>14,745,820,362</b>
Loans , cash credit and overdrafts, etc.		14,985,986,089	13,992,337,719
Bill purchased and discounted		406,316,736	753,482,643
<b>Fixed Assets including premises, furniture and fixtures</b>	<b>8(a)</b>	<b>8,593,197,061</b>	<b>8,722,868,952</b>
<b>Other Assets</b>	<b>9(a)</b>	<b>2,677,222,853</b>	<b>2,028,140,026</b>
<b>Total Assets</b>		<b>46,962,987,799</b>	<b>32,675,545,617</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
<b>Borrowing from other Banks, Financial institutions and Agents,etc.</b>	<b>10</b>	<b>1,148,419,313</b>	<b>1,559,030,954</b>
<b>Deposits &amp; Other Accounts</b>	<b>11(a)</b>	<b>19,948,534,096</b>	<b>7,900,543,770</b>
Current and other Accounts		8,946,868,197	2,963,633,705
Bills Payable		32,119,376	10,909,383
Saving Bank Deposits		454,510,474	401,858,577
Fixed Deposits		10,515,036,049	4,524,142,105
Other Deposits		-	-
<b>Other Liabilities</b>	<b>12(a)</b>	<b>9,285,551,489</b>	<b>7,514,427,113</b>
<b>Total Liabilities</b>		<b>30,382,504,897</b>	<b>16,974,001,837</b>
<b>Capital/Shareholders' Equity</b>			
Paid-up Capital	13	4,000,000,000	4,000,000,000
Quasi Equity	14	134,744,560	134,744,560
Statutory Reserve	15	1,685,306,336	1,423,606,336
General Reserve	16.1	2,505,000,000	1,865,000,000
Revaluation Reserve	16.2(a)	7,209,463,479	7,267,702,180
Other Reserve	16.3(a)	967,907,514	965,907,514
Retained Earnings	16(a)	78,061,012	44,583,189
<b>Total Shareholders' Equity</b>		<b>16,580,482,902</b>	<b>15,701,543,779</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>46,962,987,799</b>	<b>32,675,545,617</b>

**OFF-BALANCE SHEET ITEMS**

**Contingent Liabilities :**

Acceptance & Endorsements  
Acceptance for FC Guarantee  
Letters of Credit  
Bills for collection  
Other contingent liabilities  
**Total:**

Notes	Amount in Taka	
	2013	2012
16.4		
	-	-
	100,873,742	100,873,742
	694,220,700	698,328,184
	-	-
	<b>795,094,442</b>	<b>799,201,926</b>
<b>Other Commitments :</b>		
Documentary credits and other short term trade related transaction	-	-
Liability on account of outstanding forward exchange contract	-	-
Forward assets purchased and forward deposit placed	-	-
Undrawn note issuance and revolving underwriting facilities	-	-
Undrawn formal stand by facilities, credit lines and other commitments	-	-
<b>Total:</b>	-	-
<b>Total Off-Balance Sheet exposures including contingent liabilities</b>	<b>795,094,442</b>	<b>799,201,926</b>

**The annexed notes form an integral part of the Consolidated Balance Sheet.**

Sd/-  
Director

Sd/-  
Director

Sd/-  
Managing Director

Sd/-  
Chairman

This is the Consolidated Balance Sheet referred to in our separate report of even date.

Sd/-  
Dated-Dhaka  
April 30, 2014

Sd/-  
Howladar Yunus & Co.  
Chartered Accountants

Sd/-  
MABS & J Partners  
Chartered Accountants

**Bangladesh Development Bank Limited & its Subsidiary**  
**Consolidated Profit and Loss Account**  
**For the year ended 31 December, 2013**

	Notes	Amount in Taka	
		2013	2012
<b>Interest Income</b>	18(a)	1,978,478,513	1,509,335,842
Interest paid on deposit, borrowing, etc.	19(a)	(1,023,195,169)	(620,940,804)
<b>Net Interest Income</b>		<b>955,283,344</b>	<b>888,395,038</b>
Investment income	20(a)	1,948,037,477	473,769,483
Commission, exchange and brokerage	21(a)	63,488,222	48,753,716
Other operating income	22(a)	350,477,917	494,867,207
		<b>2,362,003,616</b>	<b>1,017,390,406</b>
<b>Total operating income</b>		<b>3,317,286,960</b>	<b>1,905,785,444</b>
<b>Operating expenses</b>			
Salaries and allowances	23(a)	727,278,052	662,698,943
Rent, taxes, insurance, lighting, etc.	24(a)	44,831,199	38,386,681
Legal expenses	25(a)	5,250,291	2,575,176
Postage, telegram, telephone and stamps	26(a)	14,503,984	4,336,094
Stationery, printing, advertisement, etc.	27(a)	17,225,886	14,787,564
Managing Director/Chief Executive's remuneration		3,362,000	3,104,000
Director Fees	28(a)	1,670,071	1,202,671
Auditors' fees	28(b)	569,200	466,000
Depreciation and repair of Bank's assets	29(a)	73,674,449	53,201,579
Other expenditure	30(a)	143,454,680	94,577,862
<b>Total operating expenses</b>		<b>1,031,819,811</b>	<b>875,336,570</b>
<b>Profit/ (loss) before provision</b>		<b>2,285,467,149</b>	<b>1,030,448,874</b>
Provision for loans and advances	31(a)	946,866,366	27,564
Provision for diminution in value of investment		6,162,475	950,094
Other provision		-	-
<b>Total provision</b>		<b>953,028,841</b>	<b>977,658</b>
<b>Total profit/(loss) before taxes</b>		<b>1,332,438,308</b>	<b>1,029,471,216</b>
<b>Provision for taxation for the period</b>			
Current tax		292,872,399	186,174,277
Deferred tax		2,388,085	5,577,656
		<b>295,260,484</b>	<b>191,751,933</b>
<b>Net Profit after Taxation</b>		<b>1,037,177,824</b>	<b>837,719,283</b>
<b>Appropriations:</b>			
Statutory Reserve		261,700,000	205,600,000
General Reserve		640,000,000	555,000,000
Building Fund		-	-
Dividend to Government		100,000,000	75,000,000
		<b>1,001,700,000</b>	<b>835,600,000</b>
<b>Retained Surplus</b>		<b>35,477,824</b>	<b>2,119,283</b>
<b>Earning Per Share (EPS)</b>	33(a)	<b>25.93</b>	<b>20.94</b>

The annexed notes form an integral part of the Consolidated Profit and Loss Account

Sd/-  
Director

Sd/-  
Director

Sd/-  
Managing Director

Sd/-  
Chairman

This is the Consolidated Profit and Loss Account referred to in our separate report of even date.

Sd/-  
Dated-Dhaka  
April 30, 2014

Sd/-  
Howladar Yunus & Co.  
Chartered Accountants

Sd/-  
MABS & J Partners  
Chartered Accountants

**Bangladesh Development Bank Limited & its Subsidiary**  
**Consolidated Cash Flow Statement**  
**For the period ended 31 December, 2013**

	Notes	Amount in Taka	
		2013	2012
<b>A. Cash Flows from Operating Activities</b>			
Interest received		1,714,823,917	1,410,587,849
Interest paid		(698,347,596)	(377,278,757)
Dividend received		589,377,292	297,979,942
Fees and commission received		63,488,222	48,520,803
Recovery of Loans previously written-off		115,507,834	286,846,485
Cash paid to employees		(651,121,104)	(611,479,121)
Other expenditure		(226,395,753)	(137,476,365)
Income tax paid		(258,609,743)	(204,080,789)
Receipt from other operating activities		1,567,993,742	344,866,864
<b>(i) Operating profit before changes in operating Assets and Liabilities</b>		<b>2,216,716,811</b>	<b>1,058,486,911</b>
Increase/(Decrease) in operating assets & liabilities			
(Increase)/Decrease in loans & advances		(631,440,708)	(4,638,078,426)
(Increase)/Decrease in other assets		(385,648,761)	231,374,465
Increase/(Decrease) in deposits from customers & others		12,043,222,765	3,286,615,463
Increase/(Decrease) in liabilities & provisions		294,679,850	(64,562,317)
<b>(ii) Cash flows from operating assets and liabilities</b>		<b>11,320,813,146</b>	<b>(1,184,650,815)</b>
<b>Net cash used in operating activities (A)=(i-ii)</b>		<b>13,537,529,957</b>	<b>(126,163,904)</b>
<b>B. Cash flows from investing activities</b>			
Sale/Purchase of securities		(4,588,656,925)	(477,845,416)
Disposal/Acquisition of fixed assets		(39,982,372)	(57,215,831)
<b>Net Cash used in investing activities (B)</b>		<b>(4,628,639,297)</b>	<b>(535,061,247)</b>
<b>C. Cash flows from financing activities</b>			
Decrease in long term borrowing		(410,611,641)	(499,577,641)
Dividend to the Government		(75,000,000)	(50,000,000)
<b>Net cash used in financing activities (C)</b>		<b>(485,611,641)</b>	<b>(549,577,641)</b>
<b>D. Net decrease in cash (A+B+C)</b>		<b>8,423,279,019</b>	<b>(1,210,802,792)</b>
<b>E. Effects of changes in exchange rate</b>		<b>3,268,479</b>	<b>5,618,092</b>
<b>F. Opening Cash &amp; cash equivalent</b>		<b>3,995,742,980</b>	<b>5,200,927,680</b>
<b>G Cash and cash equivalents at end of year (D+E+F) (*)</b>	32(a)	<b>12,422,290,478</b>	<b>3,995,742,980</b>
<b>(*) Cash and cash equivalents :</b>			
Cash in hand		59,564,446	33,516,345
Balance with Bangladesh Bank and Sonali Bank		1,045,295,947	502,950,035
Cash with other banks		10,667,352,616	3,309,200,772
Money at call and short notice		650,077,470	150,075,828
		<b>12,422,290,478</b>	<b>3,995,742,980</b>

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

Dated-Dhaka: April 30, 2014

Sd/-  
Director

Sd/-  
Director

Sd/-  
Managing Director

Sd/-  
Chairman

**Bangladesh Development Bank Limited & its Subsidiary**  
**Consolidated Statement of Changes in Equity**  
**For the year ended 31 December, 2013**

(Amount in Taka)

Particulars	Paid-up Capital	Statutory Reserve	Quasi Equity	General Reserve	Revaluation Reserve	Other Reserves	Retained Earnings	Profit/ (Loss)	Total
Balance at 01 January, 2013	4,000,000,000	1,423,606,336	134,744,560	1,865,000,000	7,267,702,180	965,907,514	44,583,189	-	15,701,543,779
Change in accounting policy	-	-	-	-	-	-	-	-	-
Share Issued (BDBL Securities)	-	-	-	-	-	-	-	-	-
Restated Balance	-	-	-	-	-	-	-	-	-
Surplus/Deficit on Revaluation of Properties	-	-	-	-	-	-	-	-	-
Surplus/Deficit on Revaluation of Investments	-	-	-	-	90,392,706	-	-	-	90,392,706
Adjustment for sold assets	-	-	-	-	(479,999)	-	-	-	(479,999)
Dep. during the year	-	-	-	-	(137,117,394)	-	-	-	(137,117,394)
Adjustment for deferred tax	-	-	-	-	(11,034,014)	-	-	(2,388,085)	(13,422,099)
Difference arises in currency transaction	-	-	-	-	-	-	-	-	-
Net gain and losses not recognized in the Profit and Loss Account	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	1,332,438,308	1,332,438,308
Provision for taxation	-	-	-	-	-	-	-	(292,872,399)	(292,872,399)
Appropriations made during the year	-	261,700,000	-	640,000,000	-	2,000,000	33,477,824	(937,177,824)	-
Dividend to Govt.	-	-	-	-	-	-	-	(100,000,000)	(100,000,000)
<b>Balance at 31 December 2013</b>	<b>4,000,000,000</b>	<b>1,685,306,336</b>	<b>134,744,560</b>	<b>2,505,000,000</b>	<b>7,209,463,479</b>	<b>967,907,514</b>	<b>78,061,013</b>	<b>-</b>	<b>16,580,482,902</b>
<b>Balance at 01 January 2012</b>	<b>4,000,000,000</b>	<b>1,218,006,336</b>	<b>134,744,560</b>	<b>1,310,000,000</b>	<b>7,194,622,087</b>	<b>965,907,514</b>	<b>42,463,907</b>	<b>-</b>	<b>14,865,744,404</b>
Change in accounting policy	-	-	-	-	-	-	-	-	-
Share Issued (BDBL Securities)	-	-	-	-	-	-	-	-	-
Restated Balance	-	-	-	-	-	-	-	-	-
Surplus/Deficit on Revaluation of Properties	-	-	-	-	-	-	-	-	-
Surplus/Deficit on Revaluation of Investments	-	-	-	-	-	-	-	-	-
Adjustment for sold assets	-	-	-	-	(840,000)	-	-	-	(840,000)
Dep. during the year	-	-	-	-	(137,237,394)	-	-	-	(137,237,394)
Adjustment for deferred tax	-	-	-	-	211,157,487	-	-	(5,577,656)	205,579,831
Difference arises in currency transaction	-	-	-	-	-	-	-	-	-
Net gain and losses not recognized in the Profit and Loss Account	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	1,029,471,215	1,029,471,215
Provision for taxation	-	-	-	-	-	-	-	(186,174,277)	(186,174,277)
Appropriations made during the year	-	205,600,000	-	555,000,000	-	-	2,119,282	(762,719,282)	-
Dividend to Govt.	-	-	-	-	-	-	-	(75,000,000)	(75,000,000)
<b>Balance at 31 December 2012</b>	<b>4,000,000,000</b>	<b>1,423,606,336</b>	<b>134,744,560</b>	<b>1,865,000,000</b>	<b>7,267,702,180</b>	<b>965,907,514</b>	<b>44,583,189</b>	<b>-</b>	<b>15,701,543,779</b>

Dated-Dhaka: April 30, 2014

Sd/-  
Director

Sd/-  
Director

Sd/-  
Managing Director

Sd/-  
Chairman

**Bangladesh Development Bank Limited**  
**Balance Sheet**  
**As at 31 December 2013**

PROPERTY AND ASSETS	Notes	Amount in Taka	
		2013	2012
<b>Cash</b>	3	<b>1,104,860,393</b>	<b>536,466,380</b>
Cash in hand (including foreign currencies)		59,564,446	33,516,345
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)		1,045,295,947	502,950,035
<b>Balance with other banks and financial institutions</b>	4	<b>10,625,825,698</b>	<b>3,300,467,852</b>
In Bangladesh		10,565,596,926	3,225,423,511
Outside Bangladesh		60,228,772	75,044,341
<b>Money at Call and Short Notice</b>	5	<b>650,077,470</b>	<b>150,075,828</b>
<b>Investments</b>	6	<b>7,718,266,562</b>	<b>3,230,274,894</b>
Government		3,061,100	4,310,200
Others		7,715,205,462	3,225,964,694
<b>Loans and Advances</b>	7	<b>15,457,176,954</b>	<b>14,743,064,011</b>
Loans , cash credit and overdrafts, etc.		15,050,860,218	13,989,581,368
Bill purchased and discounted		406,316,736	753,482,643
<b>Fixed Assets including premises, furniture and fixtures</b>	8	<b>8,583,422,587</b>	<b>8,713,547,691</b>
<b>Other Assets</b>	9	<b>2,718,219,820</b>	<b>2,036,568,332</b>
<b>Total Assets</b>		<b>46,857,849,483</b>	<b>32,710,464,988</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
<b>Borrowing from other Banks, Financial institutions and Agents,etc.</b>	10	<b>1,148,419,313</b>	<b>1,559,030,954</b>
<b>Deposits &amp; Other Accounts</b>	11	<b>19,988,788,842</b>	<b>7,945,566,078</b>
Current and other Accounts		8,947,122,943	2,966,656,013
Bills Payable		32,119,376	10,909,383
Saving Bank Deposits		454,510,474	401,858,577
Fixed Deposits		10,555,036,049	4,566,142,105
Other Deposits			
<b>Other Liabilities</b>	12	<b>9,250,344,401</b>	<b>7,507,050,038</b>
<b>Total Liabilities</b>		<b>30,387,552,555</b>	<b>17,011,647,070</b>
<b>Capital/Shareholders' Equity</b>			
Paid-up Capital	13	4,000,000,000	4,000,000,000
Quasi Equity	14	134,744,560	134,744,560
Statutory Reserve	15	1,685,306,336	1,423,606,336
General Reserve	16.1	2,505,000,000	1,865,000,000
Revaluation Reserve	16.2	7,119,070,773	7,267,702,180
Other Reserve	16.3	965,907,514	965,907,514
Retained Earnings		60,267,744	41,857,328
<b>Total Shareholders' Equity</b>		<b>16,470,296,928</b>	<b>15,698,817,918</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>46,857,849,483</b>	<b>32,710,464,988</b>

**OFF-BALANCE SHEET ITEMS**

**Contingent Liabilities**

Acceptance & Endorsements  
Acceptance for FC Guarantee  
Letters of Credit  
Irrevocable letter of credits  
Bills for collection  
Other contingent liabilities

**Total:**

**Other commitments**

Documentary credits and other short term trade related transaction  
Liability on account of outstanding forward exchange contract  
Forward assets purchased and forward deposit placed  
Undrawn note issuance and revolving underwriting facilities  
Undrawn formal stand by facilities, credit lines and other commitments

**Total:**

**Total Off-Balance Sheet items including contingent liabilities**

Notes	Amount in Taka	
	2013	2012
16.4		
	-	-
	100,873,742	100,873,742
	694,220,700	698,328,184
	-	-
	-	-
	-	-
<b>Total:</b>	<b>795,094,442</b>	<b>799,201,926</b>
	-	-
	-	-
	-	-
	-	-
	-	-
<b>Total:</b>	<b>795,094,442</b>	<b>799,201,926</b>
<b>Total Off-Balance Sheet items including contingent liabilities</b>	<b>795,094,442</b>	<b>799,201,926</b>

The annexed notes form an integral part of the Balance Sheet.

Sd/-  
Director

Sd/-  
Director

Sd/-  
Managing Director

Sd/-  
Chairman

This is the Balance Sheet referred to in our separate report of even date.

Dated-Dhaka  
April 30, 2014

Sd/-  
Howladar Yunus & Co.  
Chartered Accountants

Sd/-  
MABS & J Partners  
Chartered Accountants

**Bangladesh Development Bank Limited**  
**Profit and Loss Account**  
**For the year ended 31 December, 2013**

	Notes	Amount in Taka	
		2013	2012
Interest income	18	1,977,315,618	1,508,409,226
Interest paid on deposit, borrowing, etc.	19	(1,028,253,776)	(628,562,837)
<b>Net Interest Income</b>		<b>949,061,842</b>	<b>879,846,389</b>
Income from investments	20	1,922,806,260	472,271,119
Commission, exchange and brokerage	21	49,738,738	45,765,012
Other operating income	22	349,297,175	493,864,681
		<b>2,321,842,173</b>	<b>1,011,900,812</b>
<b>Total operating income</b>		<b>3,270,904,015</b>	<b>1,891,747,201</b>
<b>Operating expenses</b>			
Salaries and allowances	23	720,640,568	657,762,419
Rent, taxes, insurance, lighting, etc.	24	41,881,370	35,981,265
Legal expenses	25	5,200,341	2,434,313
Postage, telegram, telephone and stamps	26	14,441,496	4,302,863
Stationery, printing, advertisement, etc.	27	16,843,811	14,491,555
Managing Director/Chief Executive's remuneration		3,362,000	3,104,000
Director Fees	28	1,496,750	1,016,666
Auditors' fees		489,200	386,000
Depreciation and repair of Bank's assets	29	71,950,915	51,860,111
Charges on loan losses		-	-
Other expenditure	30	139,512,725	92,419,702
<b>Total operating expenses</b>		<b>1,015,819,175</b>	<b>863,758,894</b>
<b>Profit/ (loss) before provision</b>		<b>2,255,084,840</b>	<b>1,027,988,307</b>
Provision for loans and advances	31	946,642,671	-
Provision for diminution in value of investment		-	-
Other provision		-	-
<b>Total provision</b>		<b>946,642,671</b>	<b>-</b>
<b>Total profit/(loss) before taxes</b>		<b>1,308,442,169</b>	<b>1,027,988,307</b>
<b>Provision for taxation for the period</b>			
Current tax		286,000,000	185,500,000
Deferred tax		2,331,753	5,527,438
		<b>288,331,753</b>	<b>191,027,438</b>
<b>Net profit/ (loss) after tax</b>		<b>1,020,110,416</b>	<b>836,960,869</b>
<b>Appropriations:</b>			
Statutory Reserve		261,700,000	205,600,000
General Reserve		640,000,000	555,000,000
Building Fund		-	-
Dividend to Government		100,000,000	75,000,000
		<b>1,001,700,000</b>	<b>835,600,000</b>
<b>Retained Surplus</b>		<b>18,410,416</b>	<b>1,360,869</b>
<b>Earning Per Share (EPS)</b>	<b>33</b>	<b>25.50</b>	<b>20.92</b>

The annexed notes form an integral part of the Balance Sheet.

Sd/-  
Director

Sd/-  
Director

Sd/-  
Managing Director

Sd/-  
Chairman

This is the Balance Sheet referred to in our separate report of even date.

Dated-Dhaka  
April 30, 2014

Sd/-  
Howladar Yunus & Co.  
Chartered Accountants

Sd/-  
MABS & J Partners  
Chartered Accountants

**Bangladesh Development Bank Limited**  
**Cash Flow Statement**  
**For the period ended 31 December 2013**

	Notes	Amount in Taka	
		2013	2012
<b>A. Cash flows from operating activities</b>			
Interest received in cash		1,713,665,174	1,410,509,226
Interest paid		(698,347,596)	(377,278,757)
Dividend receipts		588,582,534	297,979,942
Fees and commission receipts in cash		49,738,738	45,765,012
Recoveries of loans previously written off		115,507,834	286,846,485
Cash paid to employees		(649,802,567)	(606,542,597)
Other expenditure		(225,359,978)	(133,092,493)
Income Taxes paid		(255,529,123)	(202,720,408)
Receipt from other operating activities		1,535,650,983	335,013,075
<b>(i) Operating profit before changes in operating assets and Liabilities</b>		<b>2,174,105,999</b>	<b>1,056,479,485</b>
<b>Increase/(Decrease) in operating assets &amp; liabilities</b>			
(Increase)/Decrease in loans & advances		(714,112,943)	(4,635,322,075)
(Increase)/Decrease in other assets		(385,638,961)	232,938,287
Increase/(Decrease) in deposits from customers & others		12,043,222,765	3,238,775,093
Increase/(Decrease) in liabilities & provisions		284,227,524	(81,019,477)
<b>(ii) Cash flows from operating assets and liabilities</b>		<b>11,227,698,385</b>	<b>(1,244,628,172)</b>
Net cash used in operating activities (A)=(i+ii)		<b>13,401,804,384</b>	<b>(188,148,687)</b>
<b>B. Cash flows from investing activities</b>			
Sale/Purchase of securities		(4,487,991,669)	(433,827,013)
Disposal/Purchase of fixed assets		(37,716,053)	(47,977,371)
<b>Net cash used in investing activities (B)</b>		<b>(4,525,707,722)</b>	<b>(481,804,384)</b>
<b>C. Cash flows from financing activities</b>			
Decrease in long term borrowing		(410,611,641)	(499,577,641)
Dividend to the Government		(75,000,000)	(50,000,000)
<b>Net cash used in financing activities (C)</b>		<b>(485,611,641)</b>	<b>(549,577,641)</b>
<b>D. Net decrease in cash (A+B+C)</b>		<b>8,390,485,021</b>	<b>(1,219,530,712)</b>
<b>E. Effects of changes in exchange rate</b>		<b>3,268,479</b>	<b>5,618,092</b>
<b>F. Opening Cash and Cash Equivalent</b>		<b>3,987,010,060</b>	<b>5,200,922,680</b>
<b>G Cash and cash equivalents at end of year (D+E+F) (*)</b>	32	<b>12,380,763,560</b>	<b>3,987,010,060</b>
<b>(*) Cash and cash equivalents :</b>			
Cash in hand		59,564,446	33,516,345
Balance with Bangladesh Bank		1,045,295,947	502,950,035
Cash with other banks		10,625,825,698	3,300,467,852
<b>Money at call and short notice</b>		<b>650,077,470</b>	<b>150,075,828</b>
		<b>12,380,763,560</b>	<b>3,987,010,060</b>

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

Dated-Dhaka: April 30, 2014

Sd/-  
Director

Sd/-  
Director

Sd/-  
Managing Director

Sd/-  
Chairman

**Bangladesh Development Bank Limited**  
**Statement of Changes in Equity**  
**For the year ended 31 December, 2013**

(Amount in Taka)

Particulars	Paid-up Capital	Statutory Reserve	Quasi Equity	General Reserve	Revaluation Reserve	Other Reserves	Retained Earnings	Profit/(Loss)	Total
Balance at 01 January 2013	4,000,000,000	1,423,606,336	134,744,560	1,865,000,000	7,267,702,180	965,907,514	41,857,328	-	15,698,817,918
Change in accounting policy	-	-	-	-	-	-	-	-	-
Restated Balance	-	-	-	-	-	-	-	-	-
Surplus/Deficit on Revaluation of Properties	-	-	-	-	-	-	-	-	-
Surplus/Deficit on Revaluation of Investments	-	-	-	-	-	-	-	-	-
Adjustment for sold Assets	-	-	-	-	(479,999)	-	-	-	(479,999)
Dep. during the year	-	-	-	-	(137,117,394)	-	-	-	(137,117,394)
Adjustment for deferred tax	-	-	-	-	(11,034,014)	-	-	(2,331,753)	(13,365,767)
Difference arises in currency transaction	-	-	-	-	-	-	-	-	-
Net gain and losses not recognized in the Profit and Loss Account	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	1,308,442,169	1,308,442,169
Provision for taxation	-	-	-	-	-	-	-	(286,000,000)	(286,000,000)
Appropriations made during the year	-	261,700,000	-	640,000,000	-	-	18,410,416	(920,110,416.22)	
Dividend to Govt.	-	-	-	-	-	-	-	(100,000,000)	(100,000,000)
<b>Balance at 31 December 2013</b>	<b>4,000,000,000</b>	<b>1,685,306,336</b>	<b>134,744,560</b>	<b>2,505,000,000</b>	<b>7,119,070,773</b>	<b>965,907,514</b>	<b>60,267,745</b>	<b>-</b>	<b>16,470,296,928</b>
<b>Balance at 01 January 2012</b>	<b>4,000,000,000</b>	<b>1,218,006,336</b>	<b>134,744,560</b>	<b>1,310,000,000</b>	<b>7,194,622,087</b>	<b>965,907,514</b>	<b>40,496,459</b>	<b>-</b>	<b>14,863,776,956</b>
Change in accounting policy	-	-	-	-	-	-	-	-	-
Restated Balance	-	-	-	-	-	-	-	-	-
Surplus/Deficit on Revaluation of Properties	-	-	-	-	-	-	-	-	-
Surplus/Deficit on Revaluation of Investments	-	-	-	-	-	-	-	-	-
Adjustment for sold Assets	-	-	-	-	(840,000)	-	-	-	(840,000)
Dep. during the year	-	-	-	-	(137,237,394)	-	-	-	(137,237,394)
Adjustment for deferred tax	-	-	-	-	211,157,487	-	-	(5,527,438)	205,630,049
Difference arises in currency transaction	-	-	-	-	-	-	-	-	-
Net gain and losses not recognized in the Profit and Loss Account	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	1,027,988,307	1,027,988,307
Provision for taxation	-	-	-	-	-	-	-	(185,500,000)	(185,500,000)
Appropriations made during the year	-	205,600,000	-	555,000,000	-	-	1,360,869	(761,960,869)	
Dividend to Govt.	-	-	-	-	-	-	-	(75,000,000)	(75,000,000)
<b>Balance at 31 December 2012</b>	<b>4,000,000,000</b>	<b>1,423,606,336</b>	<b>134,744,560</b>	<b>1,865,000,000</b>	<b>7,267,702,180</b>	<b>965,907,514</b>	<b>41,857,328</b>	<b>-</b>	<b>15,698,817,918</b>

Dated-Dhaka: April 30, 2014

Sd/-  
DirectorSd/-  
DirectorSd/-  
Managing DirectorSd/-  
Chairman

**Bangladesh Development Bank Limited**  
**Liquidity Statement**  
**(Asset and Liability Maturity Analysis)**  
**For the period ended 31 December 2013**

(Amount In Taka)

Particulars	Up to 01 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
<b>Assets:</b>						
Cash in hand	59,564,446	-	-	-	-	59,564,446
Balance with Bangladesh Bank & Sonali Bank (incl. foreign currencies)	-	-	-	1,045,295,947	-	1,045,295,947
Balance with other banks and financial institutions & Agents	1,247,205,972	7,495,119,726	1,883,500,000	-	-	10,625,825,698
Money at call on short notice	650,077,470	-	-	-	-	650,077,470
Investment	291,129,487	576,136,773	4,809,600,203	359,400,000	1,682,000,100	7,718,266,563
Loans and Advances	338,704,954	2,378,036,000	2,716,612,000	3,763,918,000	6,259,906,000	15,457,176,954
Fixed assets including premises, furniture & fixtures	14,128,717	28,257,434	127,158,453	678,178,400	7,735,699,582	8,583,422,586
Other assets	93,360,316	478,695,733	368,551,205	1,686,571,087	91,041,480	2,718,219,821
<b>Total Assets</b>	<b>2,694,171,362</b>	<b>10,956,245,665</b>	<b>9,905,421,861</b>	<b>7,533,363,434</b>	<b>15,768,647,162</b>	<b>46,857,849,483</b>
<b>Liabilities:</b>						
Borrowing from Bangladesh Bank, Other banks, financial institutions and agents	223,848,910	-	339,684,038	584,886,365	-	1,148,419,313
Deposits & Other Accounts	764,849,853	7,607,406,113	11,074,123,272	542,409,603	-	19,988,788,842
Provision and other liabilities	252,294,724	647,983,229	637,258,440	4,615,498,945	3,097,309,063	9,250,344,401
<b>Total Liabilities</b>	<b>1,240,993,487</b>	<b>8,255,389,342</b>	<b>12,051,065,750</b>	<b>5,742,794,913</b>	<b>3,097,309,063</b>	<b>30,387,552,556</b>
<b>Net Liquidity</b>	<b>1,453,177,874</b>	<b>2,700,856,323</b>	<b>(2,145,643,889)</b>	<b>1,790,568,521</b>	<b>12,671,338,099</b>	<b>16,470,296,928</b>

Dated-Dhaka: April 30, 2014

Sd/-  
Director

Sd/-  
Director

Sd/-  
Managing Director

Sd/-  
Chairman

The following assumptions have been applied in preparing the maturity analysis:

- i) Balance with other banks and financial institutions, Money at call on short notice are on the basis of their maturity.
- ii) Investments are on the basis of their maturity.
- iii) Loans and advances are on the basis of their maturity.
- iv) Fixed assets including premises land & buildings, furniture & fixtures are on the basis of their useful life.
- v) Other assets are on the basis of their adjustment.
- vi) Borrowings from Bangladesh Bank, other banks, financial institutions and agents are on the basis of their payment.
- vii) Deposits and other accounts are on the basis of their maturity and payment.
- viii) Provision and other liabilities are on the basis of their adjustment.

**Bangladesh Development Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2013**

## **1.00 Background and Activities**

### **1.01 Establishment and Status of the Bank**

Bangladesh Development Bank Limited (“BDBL” or the “Bank”) was incorporated under the Companies Act, 1994 on 16 November 2009 to acquire and take-over, as going concern, the undertakings and businesses of statutory bodies of Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Sangstha (BSRS) constituted respectively under the Bangladesh Shilpa Bank Order, 1972 (President Order No.129 of 1972) and Bangladesh Shilpa Rin Sangstha Order, 1972 (President Order No.128 of 1972) with all of their assets, benefits, rights, powers, authorities, privileges, liabilities, borrowings and obligations and to carry on with the same business. Two vendors agreement was executed between the Government of the peoples Republic of Bangladesh and Bangladesh Development Bank Limited on 31 December 2009 in this regard.

The registered office of the Bank is located at 8 Rajuk Avenue, Motijheel, Dhaka-1000.

BDBL established a security company named BDBL Securities Limited, a fully owned subsidiary company which was incorporated on 23 May, 2011 with the Registrar of Joint Stock Companies & Firms with paid up capital of Tk. 100.00 million. The company is a member of Dhaka Stock Exchange Ltd. (DSE) and Chittagong Stock Exchange Ltd. and obtained Stock Broker and Stock Dealer License of DSE on 18.01.2012 and CSE on 15.05.2012.

### **1.02 Principal Activities**

Bangladesh Development Bank Limited extends financial assistance both in local and foreign currencies for setting up new industries and provides all kinds of commercial banking services to its customer through its branches in Bangladesh. The BDBL inherited two memberships of Dhaka Stock Exchange Limited and one membership of Chittagong Stock Exchange Limited, acts as stock dealer and broker. The BDBL is managing a close-end Mutual Fund with paid up capital of Tk. 5.00 crore. However as per decision the fund has been wound up as 31 December, 2013.

## **2.00 Significant Accounting Policies**

### **2.01 Basis of Presentation of Financial Statements**

The financial statements are prepared on a going concern basis under the historical cost convention, except revaluation of fixed assets, and in accordance with the First Schedule (Section 38) of the Banking Companies Act, 1991, Banking Regulation and Policy Department Circular No. 14 of 25 June 2003 and 15 of 9 November 2009, other Bangladesh Bank circulars, Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) to the extent that those BAS and BFRS do not contradict with the mandatory compliance of the Bangladesh Banks requirement. Wherever appropriate, such principles are explained in succeeding notes.

## 2.02 Consolidation of Accounts

A separate set of records for consolidating the statements of affairs and income and expenditure statements of the branches are maintained at the head office of the Bank based on which these financial statements have been prepared. Separate consolidated financial statements have been drawn consolidating the 'BDBL Securities Limited'.

## 2.03 Use of estimates and Judgments

### 2.03.01 Fixed Assets and Depreciation

Fixed assets, except land and premises (buildings) are stated at cost less accumulated depreciation as per BAS-16. Land and premises (buildings) are shown at revalued amount.

Depreciation is charged on fixed assets other than motor vehicles & computer on reducing balance method. Depreciation on motor vehicles & computer is charged on straight-line method. The relevant rates for depreciation are as follows:

Assets	Rates
Building/Premises	2.5%
Furniture & Fixtures	10.0%
Electric/Gas Installation	20.0%
Typewriters, Ceiling Fans, Office Equipment (including Computer) & SBBL Gun	20.0%
Motor Cars, other Vehicles	20.0%

Depreciation at the applicable rates is charged proportionately on additions made during the year from the month of their acquisition.

Upon disposal of items of fixed assets the net book values are eliminated from the accounts and the resulting gains or losses, if any, are transferred to Profit and Loss Account.

Repairs and maintenance costs of fixed assets are charged to Profit and Loss Account when incurred.

## 2.04 Investments

- i. Investments in quoted shares are stated at lower of cost and market price. Market value of shares is considered on aggregate portfolio basis at the year-end. Cost price being lower than market value, investment in shares is stated at cost price.
- ii. Investment in debenture is stated at cost less redemption.
- iii. Interest income on investment is recognized on accrual basis. Capital gain on disposal of investments is recognized as investment income when it is realized.
- iv. Provision for investment in unquoted shares is made when there is an objective evidence of impairment (i.e. net assets below equity).
- v. Provision for investment in quoted shares is done on the basis of the shortfall of the market price and cost price for the traded issues. But, in case of any suspended shares provisions made for the entire cost price.

- vi. Dividend income is recognized on accrual basis.
- vii. Bonus shares received are accounted for at nil value.
- viii. Profit/ Loss on sale of investments are accounted for by deducting the average cost of investments from selling price thereof.

## 2.05 Loans and Advances

- i. Loans and advances have been stated at gross value as per requirement of the central bank.
- ii. Interest on unclassified loans and advance are calculated on a daily product basis but charged and accounted for on quarterly basis and in some cases on yearly basis.
- iii. No interest is charged on loan classified as bad and loss.
- iv. Interest is charged on classified loans and advances other than bad and loss as per BCD Circular # 34 of 1989, BCD Circular # 20 of 1994, BCD Circular # 12 of 1995, BRPD Circular # 16 of 1998 and BRPD Circular # 9 of 2001 and such interest is not included in income and credited to interest suspense account.
- v. Interest and penal interest, if any, calculated on classified loans and advances is taken as income in the year of receipt of such interest from the defaulting borrowers.
- vi. Interest on Special Mention Account (SMA) loan is charged and credited to interest suspense account as per Bangladesh Bank BRPD Circular # 14 dated 23 September 2012. This interest is transferred to income only on realization.
- vii. Provision for loans and advances are made on the basis of information furnished by the branches and of instructions contained in Bangladesh Bank BRPD Circular # 14 dated 23 September 2012 and BRPD Circular # 19 dated 27 December 2012 , stating the following rates:

General provision on	Provision Rate
a. Consumer Financing (House Financing)	2%
b. Consumer Financing (Loans to Professional)	2%
c. Consumer Financing ( Other than a & b)	5%
d. Small and Medium Enterprise Financing (SMEF)	0.25%
e. Short Term Agriculture & Micro Credit	5%
f. Loans to BHs/ MBs/ Sds against Shares etc	2%
g. All other Credit	1%
h. Special Mention Account (SMA)	5%
<b>Specific provision on</b>	
a. Substandard Loans and Advances :	
i. Short Term Agri Credit & Micro Credit	5%
ii. Other than Short Term Agri Credit & Micro Credit	20%
b. Doubtful Loans and Advances:	
i. Short Term Agri Credit & Micro Credit	5%
ii. Other than Short Term Agri Credit & Micro Credit	50%
c. Bad/Loss Loans and Advances	100%

- viii. Loans and advances are written-off as per BRPD Circular # 2 dated 13 January, 2003.

## **2.06 Rental Income**

Rental income is accounted for on accrual basis.

## **2.07 Commission on Letters of Credit and Letters of Guarantee**

Commission charged to customers on letters of credit and letters of guarantee are credited to income at the time of effecting the transactions.

## **2.08 Cash Flow Statement**

Cash flow statement has been prepared in accordance with the Bangladesh accounting standard-7 "Cash Flow Statement" under the direct method as recommended in BRPD circular no. 14 on 25 June, 2003 issued by the Banking Regulation and Policy Department of Bangladesh Bank.

## **2.09 Off-Balance Sheet Items**

As per the Bangladesh Bank Guidelines Off-balance sheet items have been disclosed under contingent liabilities and other commitments. The Bank has maintained general provision @ 1% against off-balance sheet exposures (L/C and Guarantee) as per BRPD Circular #10, dated September 18, 2007.

## **2.10 Statement of Changes in Equity**

Statement of changes in Equity is prepared principally in accordance with BAS-1 "Presentation of Financial Statements" and under the guidelines of Bangladesh Bank BRPD Circular No.14 dated 25, June 2003.

## **2.11 Liquidity Statement**

The liquidity statement has been prepared in accordance with the remaining maturity grouping of the value of the assets and liabilities as on the reporting date.

- i. Balance with other banks and financial institutions, money at call short notice etc. are on the basis of their maturity term
- ii. Investments are on the basis of their respective maturity.
- iii. Loans and advances are on the basis of their repayment schedule.
- iv. Property, plant and equipment (lined assets) are on the basis of their useful lives.
- v. Other assets are on the basis of their realization / amortization.
- vi. Borrowing from Government and other agencies, etc. as per their maturity.
- vii. Deposits and other accounts are on the basis of their maturity and payment.
- viii. Provisions and other liabilities are on the basis of their payment/adjustment schedule.

## **2.12 Retirement Benefit Scheme**

The Bank is continuing following retirement benefit schemes as applicable for the employees of erstwhile Bangladesh Shilpa Bank and Bangladesh Shilpa Rin Sangstha:

- i. Gratuity and CPF Scheme:
  - (a) Contributory Provident Fund
  - (b) Gratuity Scheme
- ii. GPF and Pension & Death cum Retirement Benefit Scheme:
  - (a) General Provident Fund (GPF)
  - (b) Pension & Death cum Retirement Benefit Scheme:

Contribution to the above retirement schemes is made by the Bank as per rules and regulations of the respective schemes. These schemes are managed and administered by separate trust formed for that purpose.

## **2.13 Statutory Reserve**

The Bank Companies Act, 1991 requires the Bank to transfer from its current year's profit before tax to reserve until such reserve together with share premium account equals to its paid up capital. Accordingly 20% of the current years profit before tax (PBT) has been transferred to this reserve

## **2.14 Provision for Taxation**

Provision for current income tax has been made @ 42.50% as prescribed in the Finance Act, 2012 on accounting profit made by the Bank after considering some of the add backs to income and disallowances of expenditure as per income tax laws.

## **2.15 Deposits and Other Accounts**

Deposits and other accounts includes bills payable which have been analyzed in terms of the maturity grouping showing separately as other deposits and inter-bank deposits.

## **2.16 Reconciliation Position**

- a. NOSTRO A/c.: There are eight NOSTRO accounts being maintained with Foreign Banks and all those accounts are reconciled at year end. There is no outstanding entry for more than one month.