

**Independent Auditor's Report
&
Audited Financial Statements
of
Modhumoti Bank Limited
As at & for the year ended 31 December 2018**

Independent auditor's report

To the shareholders of Modhumoti Bank Limited

Report on the audit of financial statements

Opinion

We have audited the financial statements of Modhumoti Bank Limited ("the Bank"), which comprise the balance sheet as at 31 December 2018, and the profit and loss account, cash flow statement, statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Bank give a true and fair view of the balance sheet of the Bank as at 31 December 2018, and of its profit and loss account, its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as explained in note # 2 and comply with the Companies Act, 1994, the Banking Companies Act, 1991 (as amended up to date), rules and regulations issued by Bangladesh Bank and other applicable laws and regulations.

Basis for opinion

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

Responsibilities of management and those charged with governance for the financial statements and internal controls

Management is responsible for the preparation and fair presentation of the financial statements of the Bank in accordance with IFRS as explained in note # 2, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. The Banking Companies Act, 1991 (as amended up to date) and the Bangladesh Bank Regulations require the management to ensure effective internal audit, internal control and risk management functions of the Bank. The management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Bank or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

Report on other legal and regulatory requirements

In accordance with the Companies Act, 1994, the Banking Companies Act, 1991 (as amended up to date) and the rules and regulations issued by Bangladesh Bank, we also report that:

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (ii) to the extent noted during the course of our audit work performed on the basis stated under the Auditor's Responsibility section in forming the above opinion on the financial statements of the Bank and considering the reports of the management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the management's responsibility for the financial statements and internal control:
 - (a) internal audit, internal control and risk management arrangements of the Bank as disclosed in notes 37 and 38 of the financial statements appeared to be materially adequate;
 - (b) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank.
- (iii) in our opinion, proper books of accounts as required by law have been kept by the Bank so far as it appeared from our examination of those books;
- (iv) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;

- (v) the balance sheet and profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- (vi) the expenditures incurred were for the purpose of the Bank's business for the year;
- (vii) the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as related guidance issued by Bangladesh Bank;
- (viii) adequate provisions have been made for advance and other assets which are in our opinion, doubtful of recovery;
- (ix) the information and explanations required by us have been received and found satisfactory;
- (x) we have reviewed over 80% of the risk weighted assets of the Bank and spent over 960 person hours for the audit of the books and account of the Bank; and
- (xi) Capital to Risk-weighted Asset Ratio (CRAR) as required by Bangladesh Bank has been maintained adequately during the year.

Dated, Dhaka
20 May 2019


A. Qasem & Co.
Chartered Accountants

Modhumoti Bank Limited
Balance Sheet
As at 31 December 2018

Particulars	Notes	Amount in BDT	
		2018	2017
<u>PROPERTY AND ASSETS</u>			
Cash	4		
Cash in hand (including foreign currencies)		346,997,220	292,970,609
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)		2,328,701,550	2,242,979,385
		2,675,698,770	2,535,949,994
Balance with other banks and financial institutions	5		
In Bangladesh		5,906,344,808	6,908,392,914
Outside Bangladesh		206,111,851	160,855,669
		6,112,456,658	7,069,248,583
Money at call on short notice	6	180,600,000	-
Investments	7		
Government		4,982,615,418	4,307,062,289
Others		103,267,586	100,121,860
		5,085,883,003	4,407,184,149
Loans and advances	8		
Loans, Cash Credit, Overdrafts etc.		32,693,770,419	27,785,058,045
Bills purchased and discounted		2,881,878,941	2,396,241,115
		35,575,649,360	30,181,299,160
Fixed assets including premises, furniture and fixtures	9	215,784,296	219,986,671
Other assets	10	1,457,954,033	1,361,050,267
Non - banking assets		-	-
Total assets		51,304,026,121	45,774,718,824
<u>LIABILITIES AND CAPITAL</u>			
Liabilities			
Borrowings from other banks, financial institutions and its agents	11	4,863,549,307	5,326,618,500
Deposits and other accounts	12		
Current Accounts and other Accounts		4,787,481,334	3,620,232,655
Bills Payable		1,171,494,988	316,174,805
Savings Bank Deposits		2,814,372,369	3,301,561,016
Special Notice Deposits (SND)		3,378,602,792	3,641,316,182
Fixed Deposits		25,591,960,038	22,157,151,653
Other Deposits		-	-
		37,743,911,522	33,036,436,311
Other Liabilities	13	2,439,658,706	1,680,554,882
Total Liabilities		45,047,119,535	40,043,609,693
Capital/Shareholders' Equity			
Paid up Capital	14.2	4,520,000,000	4,520,000,000
Statutory Reserve	15	1,053,286,265	716,799,672
Revaluation Reserve	16	343,207	3,951,454
Foreign currency translation gain	17(a)	105,706	690,199
Surplus in Profit and Loss Account/ Retained Earnings	17	683,171,408	489,667,806
		6,256,906,586	5,731,109,131
Total Shareholders' Equity		6,256,906,586	5,731,109,131
Total Liabilities and Shareholders' Equity		51,304,026,121	45,774,718,824

Modhumoti Bank Limited
Profit and Loss Account
For the year ended 31 December 2018

Particulars	Notes	Amount in BDT	
		2018	2017
Interest income	20	4,386,049,124	3,100,798,948
Interest paid on deposits and borrowings etc.	21	2,501,714,999	1,816,110,921
Net interest income		1,884,334,125	1,284,688,027
Investment income	22	373,629,915	518,273,405
Commission, exchange and brokerage	23	486,560,723	391,824,292
Other operating income	24	62,227,387	51,318,160
		922,418,026	961,415,857
Total operating income (A)		2,806,752,151	2,246,103,885
Salaries and allowances	25	446,419,992	393,547,719
Rent, taxes, insurance, electricity etc.	26	152,729,689	131,760,054
Legal expenses		385,000	536,925
Postage, stamp, telecommunication etc.	27	25,425,915	25,759,492
Stationery, printing, advertisements etc.	28	48,914,360	43,073,144
Managing Director's salary and fees	29	9,516,927	9,530,410
Directors' fees	30	1,464,000	1,832,000
Auditors' fees		250,000	250,000
Depreciation and repairs to bank's assets	31	63,860,131	56,687,380
Other expenses	32	115,853,173	117,419,668
		864,819,187	780,396,792
Total operating expenses (B)		864,819,187	780,396,792
Profit before provision (C=A-B)		1,941,932,964	1,465,707,093
Provision for loans and advances	13.1		
General provision		60,400,000	86,340,000
Specific provision		141,900,000	5,880,000
Provision for Off-shore Banking unit		1,500,000	12,200,000
Provision for off-balance sheet items	13.2	55,700,000	70,000,000
Provision for Incentive of Good Borrowers		-	1,500,000
		259,500,000	175,920,000
Total provision (D)		259,500,000	175,920,000
Total profit before tax (C-D)		1,682,432,964	1,289,787,093
Provision for taxation	33		
Current		704,174,341	545,866,968
Deferred Tax		(3,731,572)	(2,210,182)
		700,442,769	543,656,786
Net profit after tax		981,990,195	746,130,307
Retained Earnings brought forward from previous years		37,667,806	1,494,918
		1,019,658,001	747,625,225
Appropriations			
Statutory Reserve	15	336,486,593	257,957,419
Other Reserve		-	-
		336,486,593	257,957,419
Retained Surplus	17	683,171,408	489,667,806
Earnings Per Share (EPS)	36	2.17	1.65

These Financial Statements should be read in conjunction with the annexed notes 1 to 37


Chairman


Vice Chairman


Director


Managing Director & CEO

See annexed Auditors' Report to the Shareholders of date

Dated, Dhaka
20 May 2019



A. Qasem & Co.
Chartered Accountants

Modhumoti Bank Limited
Cash Flow Statement
For the year ended 31 December 2018

	Notes	Amount in BDT	
		2018	2017
A. Cash Flow from Operating Activities			
Interest receipts in cash		4,792,313,656	3,571,210,136
Interest payments		(2,305,114,640)	(1,759,584,285)
Dividend receipts		8,219,744	8,155,498
Fees and commission receipts in cash		486,560,723	391,824,292
Recoveries on Loans previously written-off		-	-
Cash payments to employees		(435,936,919)	(373,078,129)
Cash payments to suppliers		(48,877,846)	(43,353,184)
Income taxes paid		(523,058,338)	(384,625,191)
Receipts from other operating activities	34	67,604,623	55,542,083
Payments for other operating activities	35	(297,158,093)	(267,670,999)
Operating profit before changes in operating assets and liabilities (i)		1,744,552,910	1,198,420,222
Increase / (decrease) in operating assets and liabilities			
Purchase of trading securities (Treasury bond/bill)		(113,220,696)	226,646,759
Loans and advances to customers		(5,394,350,200)	(13,042,694,556)
Other Assets		127,730,830	(293,036,089)
Deposits from other banks/ Borrowings		(513,109,193)	2,141,795,100
Deposits from customers		3,705,594,668	9,834,535,178
Other liabilities account of customers		855,320,183	(108,403,659)
Other Liabilities		19,271,348	44,900,654
Cash received from operating assets and liabilities (ii)		(1,312,763,061)	(1,196,256,612)
Net cash from operating activities (A=i+ii)		431,789,850	2,163,609
B. Cash flow from investing activities			
Proceeds from sale of securities		-	100,000,000
Payment for purchase of securities (Treasury bond/bill/shares)		(568,936,205)	(686,929,502)
Purchase of property, plant & equipment		(46,871,633)	(50,212,877)
Sale of property, plant & equipment		309,533	144,963
Net cash from investing activities (B)		(615,498,305)	(636,997,416)
C. Cash flows from financing activities			
Receipts from issue of ordinary shares		-	-
Dividends paid		(452,000,000)	(452,000,000)
Net cash from financing activities (C)		(452,000,000)	(452,000,000)
D. Net increase / decrease in cash & cash equivalent (A+B+C)		(635,708,456)	(1,086,833,807)
E. Effects of exchange rate changes on cash and cash equivalents		(584,493)	690,199
F. Cash and cash equivalents at beginning period		9,605,415,377	10,691,558,985
G. Cash and cash equivalents at end of period (D+E)		8,969,122,428	9,605,415,377
Cash and cash equivalents at end of the year represents			
Cash in hand (including foreign currencies)		346,997,220	292,970,609
Balance with Bangladesh Bank & its agent bank (including foreign currencies)		2,328,701,550	2,242,979,385
Balance with other banks and financial institutions		6,112,456,658	7,069,248,583
Money at call and on short notice		180,600,000	-
Prize bond		367,000	216,800
		8,969,122,428	9,605,415,377

These Financial Statements should be read in conjunction with the annexed notes 1 to 37


Chairman


Vice Chairman


Director


Managing Director & CEO

Dated, Dhaka
20 May 2019


A. Qasem & Co.
Chartered Accountants

Modhumoti Bank Limited
Statement of Changes in Equity
For the year ended 31 December 2018

Particulars	Amount in BDT					
	Paid up capital	Statutory Reserve	Revaluation Reserve	Foreign currency translation gain	Surplus in Profit and Loss Account/ Retained Earnings	Total
Balance as at 1 January 2018	4,520,000,000	716,799,672	3,951,454	690,199	489,667,806	5,731,109,131
Statutory Reserve	-	336,486,593	-	-	(336,486,593)	-
Suplus/deficit on account of revaluation of investment	-	-	(3,608,247)	-	-	(3,608,247)
Issue of ordinary share	-	-	-	-	-	-
Cash dividend	-	-	-	-	(452,000,000)	(452,000,000)
Foreign currency translation gain	-	-	-	(584,493)	-	(584,493)
Net profit for the year	-	-	-	-	981,990,195	981,990,195
Balance as at 31 December 2018	4,520,000,000	1,053,286,265	343,207	105,706	683,171,408	6,256,906,586
Balance as at 31 December 2017	4,520,000,000	716,799,672	3,951,454	690,199	489,667,806	5,731,109,131

These Financial Statements should be read in conjunction with the annexed notes 1 to 37


Chairman


Vice Chairman


Director


Managing Director & CEO

Dated, Dhaka
20 May 2019


A. Qasem & Co.
Chartered Accountants

Modhumoti Bank Limited
Liquidity Statement
(Assets and liabilities Maturity Analysis)
As at 31 December 2018

Particulars	Amount in BDT					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Assets:						
Cash in hand	905,933,916	-	-	-	1,769,764,854	2,675,698,770
Balance with other banks and financial institutions	2,338,956,658	3,003,500,000	770,000,000	-	-	6,112,456,658
Money at call and on short notice	180,600,000	-	-	-	-	180,600,000
Investments	367,000	-	250,441,319	439,511,200	4,395,563,484	5,085,883,003
Loans and advances	3,634,475,012	5,015,153,030	10,833,335,147	9,753,104,235	6,339,581,936	35,575,649,360
Fixed assets incl. premises, furniture and fixtures	-	-	8,332,254	99,410,376	108,041,665	215,784,296
Other assets	178,739,266	198,349,129	1,080,865,638	-	-	1,457,954,033
Non banking assets	-	-	-	-	-	-
Total assets (A)	7,239,071,852	8,217,002,159	12,942,974,358	10,292,025,812	12,612,951,939	51,304,026,121
Liabilities:						
Borrowings from Bangladesh bank, other banks, financial institutions and its agents	2,882,400,000	499,500,000	1,000,000,000	481,649,307	-	4,863,549,307
Deposits	3,263,728,994	8,059,432,903	14,768,721,962	7,483,731,415	4,168,296,248	37,743,911,522
Provision and other liabilities	-	-	-	1,097,846,418	1,341,812,288	2,439,658,706
Total liabilities (B)	6,146,128,994	8,558,932,903	15,768,721,962	9,063,227,139	5,510,108,536	45,047,119,535
Net liquidity gap (A - B)	1,092,942,858	(341,930,744)	(2,825,747,604)	1,228,798,673	7,102,843,404	6,256,906,586

