



# FINANCIAL STATEMENTS 2019



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## Independent Auditor's Report to the Shareholders of Bank Asia Limited

Report on the Audit of the Consolidated and Separate Financial Statements

**Opinion**  
We have audited the consolidated financial statements of Bank Asia Limited and its subsidiaries (the "Group"), as well as the separate financial statements of Bank Asia Limited (the "Bank"), which comprise the consolidated and separate balance sheets as at 31 December 2019, and the consolidated and separate profit and loss accounts, consolidated and separate changes in equity and consolidated and separate cash flow statements for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the group and separate financial statement of the Bank give true and fair view of the consolidated balance sheet of the group and the separate balance sheet of the Bank as at 31 December 2019, and of its consolidated and separate profit and loss accounts and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 02-03.

**Basis for Opinion**  
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), Bangladesh Securities and Exchange Commission (BSEC) 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.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<b>Investment</b> Refer note no. 3.1.2, 3, 4 and 5 and 7, 7(a) to the consolidated financial statement The classification and measurement in quoted and unquoted securities require judgement and complex estimates. In the absence of a quoted price in an active market, the fair value of quoted and unquoted securities is determined using complex valuation techniques which may take into consideration direct or indirect observable market data and complex pricing models which require an elevated level of judgement.	We assessed the processes and controls put in place by the Group to identify and confirm the existence of financial instruments. We obtained an understanding, evaluated the design and tested the operating effectiveness of the key controls over the financial instrument valuation processes, including controls over market data inputs into valuation models, applicable governance, and valuation adjustments. We tested a sample of the valuation models and the inputs used in those models, using a variety of techniques, including comparing inputs to available market data. Finally, we assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.
<b>Measurement of provision for loans and advances</b> Refer note no. 3.1.6 and 8, 8(a), 13, 13(a) to the consolidated financial statements The process for estimating the provision for loans and advances portfolio associated with credit risk is significant and complex. For the individual analysis, these provisions consider the estimates of future business performance and the market value of collateral provided for credit transactions. For the collective analysis, these provisions are manually processed that deals with voluminous databases, assumptions and calculations for the provision estimates of complex design and implementation. At year end the Group reported total gross loans and advances of BDT 230,095,211,871 (2018: BDT 217,552,931,835) and provision for loans and advances of BDT 12,833,611,089 (2018: BDT 495,960) including provision maintained by BASL BDT 554,494,169 (2018: BDT 518,494,169). We have focused on the following significant judgements and estimates which could give rise to material misstatement in the financial statements or management bias. Completeness and timing of recognition of loss events in accordance with criteria set out in BPPD circular no. 16 dated 06 December 1998, 9 dated 14 May 2001, 9 and 10 dated 20 August 2005, 8 dated 07 August 2007, 10 dated 13 September 2007, 14 dated 23 September 2012, 19 dated 27 December 2012, 5 dated 29 May 2013, 16 dated 18 November 2014, 8 dated 02 August 2015, 12 dated 20 August 2017, 15 dated 27 September 2017, 01 dated 03 January 2018, 01 dated 20 February 2018, 01 dated 03 January 2019, 01 dated 06 February 2019, 03 dated 21 April 2019, 05 dated 16 May 2019. For individually assessed provisions, the measurement of the provision may be dependent on the valuation of collateral, estimates of exit values and the timing of cash flows. Provision measurement is primarily dependent upon key assumptions relating to probability of default, ability to repossess collateral and recovery rates.	We tested the design and operating effectiveness of key controls focusing on the following: ● Tested the credit appraisal, loan disbursement procedures, monitoring and provisioning process; ● Reviewed identification of loss events, including early warning and default warning indicators; ● Reviewed quarterly Classification of Loans (CL); Our substantive procedures in relation to the provision for loans and advances portfolio comprised the following: ● Reviewed the adequacy of the companies general and specific provisions; ● Assessed the methodologies on which the provision amounts based, recalculated the provisions and tested the completeness and accuracy of the underlying information; ● Finally, we assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.
<b>Legal and regulatory matters</b> We focused on this area because the Bank and its subsidiaries (the "Group") operates in a legal and regulatory environment that is exposed to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may be difficult to predict. These uncertainties inherently affect the amount and timing of potential outflows with respect to the provisions which have been established and other contingent liabilities. Overall, the legal provision represents the Group's best estimate for existing legal matters that have a probable and estimable impact on the Group's financial position.	We obtained an understanding, evaluated the design and tested the operational effectiveness of the Group's key controls over the legal provision and contingency processes. We engaged into those charged with governance to obtain their views on the status of all significant litigation and regulatory matters. We engaged of the Group's internal legal counsel for all significant litigation and regulatory matters and inspected internal notes and reports. We also received formal confirmations from external counsel. We assessed the methodologies on which the provision amounts are based, recalculated the provisions, and tested the completeness and accuracy of the underlying information. We also assessed the Group's provisions and contingent liabilities disclosure.
<b>IT Assets Management</b> Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls. Our areas of audit focus included master data management, user access management, developer access to the production environment and changes to the IT environment. Among others, these are key to ensuring operating effectiveness of IT dependent application based controls. Where deficiencies were identified, we tested compensating controls or performed alternate procedures. In addition, we understood where relevant, changes were made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting.	We tested the design and operating effectiveness of the Group's IT access controls over the information systems that are critical to financial reporting. We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were appropriately reviewed and authorized. We tested the Group's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorization. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit. Where deficiencies were identified, we tested compensating controls or performed alternate procedures. In addition, we understood where relevant, changes were made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting.

**Other Information**

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements of the Group and also separate financial statements of the Bank in accordance with IFRSs as explained in note 02-03, and for internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error. The Bank Company Act, 1991 (As amended 2018) 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 consolidated and separate financial statements, management is responsible for assessing the Group's and 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 Group and the Bank or to cease operations, or has no realistic alternative but to do so.

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

**Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group's and 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 consolidated and separate 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 Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other Legal and Regulatory Requirements**

In accordance with the Companies Act, 1994, the Securities and Exchange Rules 1987, the Bank Company Act, 1991 (as Amended 2018) and the rules and regulations issued by Bangladesh Bank, we also report that:

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- to the extent noted during the course of our audit work performed on the basis stated under the Auditor's Responsibility section in forming the above opinion on the consolidated financial statements of the Group and the separate financial statements of the Bank and considering the reports of the Management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the financial statements and internal control:
  - Internal audit, internal control and risk management arrangements of the Group as disclosed in the financial statements appeared to be materially adequate;
  - nothing has come to our attention regarding material instances of forgery or irregularity or administrative error or exception or anything detrimental committed by employees of the Group and its related entities (other than matters disclosed in these financial statements);
  - The financial statements of the Bank's subsidiaries named Bank Asia Securities Limited audited by us, but other two overseas subsidiaries BA Exchange Company (UK) Limited and BA Express USA Inc. was not audited by us. The financial statements of BA Exchange Company (UK) Limited for the year ended 31 December 2019 have been audited by AGP Consulting Chartered Accountants and Statutory Auditors, UK and expressed an unmodified opinion. The financial statements of BA Express USA Inc. for the year ended 31 December 2019 have been audited by Arman Chowdhury, CPA P.C. USA and expressed an unmodified opinion. These accounts have been properly reflected in the consolidated financial statements.
  - In our opinion, proper books of accounts as required by law have been kept by the Group and the Bank so far as it appeared from our examination of those books;
  - the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
  - the consolidated balance sheet and consolidated profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
  - the expenditures incurred were for the purpose of the Bank's business for the year;
  - the consolidated financial statements of the Group and the separate financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as related guidance issued by Bangladesh Bank;
  - adequate provisions have been made for advance and other assets which are in our opinion, doubtful of recovery;
  - the information and explanations required by us have been received and found satisfactory;
  - we have reviewed over 80% of the risk weighted assets of the Bank and spent over 26,500 person hours; and
  - Capital to Risk-weighted Asset Ratio (CRAR) as required by Bangladesh Bank has been maintained adequately during the year.

Dhaka, Dated 22 March, 2020

M. Kamrul Hossain  
Md. Monimul Karim, FCA  
Partner  
ACNABIN, Chartered Accountants

## Profit and Loss Account

for the year ended 31 December 2019

	Notes	31 Dec 2019	31 Dec 2018
<b>OPERATING INCOME</b>			
Interest income	20	22,863,139,585	20,100,683,339
Interest paid on deposits and borrowings, etc	21	14,462,380,548	13,931,993,495
<b>Net interest income</b>		8,400,759,037	7,208,889,844
Investment income	22	3,293,064,994	2,311,462,131
Commission, exchange and brokerage	23	3,361,368,126	2,990,693,997
Other operating income	24	1,018,730,455	917,723,225
		7,673,163,575	6,219,879,353
<b>Total operating income (A)</b>		16,073,927,612	14,122,569,197
<b>OPERATING EXPENSES</b>			
Salaries and allowances	25	3,266,449,893	2,882,190,002
Rent, taxes, insurance, electricity, etc	26	440,093,246	684,528,849
Legal expenses	27	20,534,559	25,213,849
Postage, stamp, telecommunication, etc	28	124,471,658	108,489,491
Stationery, printing, advertisements, etc	29	156,689,993	133,450,519
Managing Director's salary and fees	30	16,572,420	13,900,000
Directors' fees	31	3,424,000	3,656,000
Directors' fees	32	1,478,225	875,500
Auditors' fees	33	834,076,015	475,722,070
Depreciation and repairs of Bank's assets	34	1,887,668,330	1,734,164,998
Other expenses		6,751,458,339	6,062,191,278
<b>Total operating expenses (B)</b>		9,322,464,273	8,060,377,919
<b>Profit before provision (C=A-B)</b>		6,751,463,339	6,062,191,278
Provision for loans and advances/investments			
General provision		2,847,887,484	990,055,890
Specific provision		2,805,142,562	2,604,517,014
Provision for off-balance sheet items	13.2	5,653,030,046	3,594,572,904
Provision for diminution in value of investments	13.3	(196,376,913)	(172,971,972)
Other provisions	13.8	(80,000,000)	10,000,000
Other provisions	13.8	25,000,000	12,500,000
<b>Total provision (D)</b>	34(b)	5,401,653,133	3,444,100,932
<b>Total profit before tax (C-D)</b>		3,920,811,140	4,616,276,987
Provision for taxation			
Current tax	13.5.1	1,960,000,000	2,350,000,000
Deferred tax	13.5.2	-	-
		1,960,000,000	2,350,000,000
<b>Net profit after tax</b>		1,960,811,140	2,266,276,987
<b>Appropriation</b>			
Statutory reserve	15	784,162,228	923,255,397
General reserve		784,162,228	923,255,397
		1,568,324,456	1,846,510,794
<b>Retained surplus</b>		1,568,324,456	1,846,510,794
Earnings Per Share (EPS)	37	1.68	1.94

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

## Consolidated Balance Sheet

as at 31 December 2019

	Notes	31 Dec 2019	Amount in Taka 31 Dec 2018
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>		23,985,604,446	15,552,120,728
In hand (including foreign currencies)	4.1(a)	3,241,965,175	2,679,608,726
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	4.2	20,743,726,904	12,872,512,002
<b>Balance with other banks and financial institutions</b>	5(a)	23,634,997,570	26,243,135,322
In Bangladesh		19,875,113,514	23,753,126,357
Outside Bangladesh	6(a)	3,759,884,056	2,490,008,965
<b>Money at call and on short notice</b>	7(a)	4,600,000,000	100,000,000
<b>Investments</b>	7(a)	55,526,971,926	36,544,202,442
Government		52,197,323,849	33,133,291,838
Others		3,329,648,077	3,410,910,604
<b>Loans and advances/investments</b>	8(a)	230,095,211,871	217,552,931,835
Loans, cash credits, overdrafts, etc./investments		210,835,675,997	196,655,897,162
Bills purchased and discounted		19,259,535,874	20,897,034,672
<b>Fixed assets including premises, furniture and fixtures</b>	9(a)	7,065,893,231	5,445,867,834
<b>Other assets</b>	10(a)	10,810,948,234	7,786,013,371
<b>Non-banking assets</b>		-	-
<b>Total assets</b>		355,720,227,278	309,227,870,658
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
<b>Borrowings from other banks, financial institutions and agents</b>	11(a)	34,382,128,495	31,378,674,113
<b>Subordinated non-convertible bonds</b>	11(aa)	11,800,000,000	7,400,000,000
<b>Deposits and other accounts</b>	12(a)	254,077,526,668	222,734,891,777
Current/Al-wadeeah current accounts and other accounts		47,821,635,983	47,487,805,711
Bills payable		3,742,697,471	4,124,678,804
Savings bank/Mudrabah savings bank deposits		48,293,710,027	39,558,517,712
Fixed deposits/Mudrabah fixed deposits		154,219,483,187	131,563,889,550
Bearer certificates of deposit		-	-
Other deposits		-	-
<b>Other liabilities</b>	13(a)	30,873,993,667	24,523,225,592
<b>Total liabilities</b>		331,133,648,830	286,038,031,968
<b>Capital/shareholders' equity</b>			
<b>Total shareholders' equity</b>		24,586,578,448	23,189,838,689
Paid-up capital		11,659,068,600	11,103,874,860
Statutory reserve	15	9,052,555,407	8,268,393,179
Revaluation reserve	16(a)	2,065,683,636	2,120,032,204
General reserve		8,166,144	8,166,144
Retained earnings	17(a)	1,800,257,979	1,686,898,121
Foreign currency translation reserve		836,486	2,462,381
Non-controlling interest	17(b)	10,196	11,799
<b>Total liabilities and shareholders' equity</b>		355,720,227,278	309,227,870,658
<b>OFF-BALANCE SHEET ITEMS</b>			
<b>Contingent liabilities</b>	18	118,576,860,518	136,225,517,128
Acceptances and endorsements		39,192,489,873	48,569,391,593
Letters of guarantee		36,999,351,447	41,312,967,803
Irrevocable letters of credit		26,468,819,479	30,327,687,774
Bills for collection		15,916,199,719	16,015,469,958
Other contingent liabilities		-	-
<b>Other commitments</b>		2,040,416,443	1,233,739,359
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		2,040,416,443	1,233,739,359
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
<b>Total off-balance sheet items including contingent liabilities</b>		120,617,276,961	137,459,256,487

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

## Consolidated Profit and Loss Account

for the year ended 31 December 2019

	Notes	31 Dec 2019	Amount in Taka 31 Dec 2018
<b>OPERATING INCOME</b>			
Interest income	20(a)	22,874,067,272	21,010,148,200
Interest paid on deposits and borrowings, etc	21(a)	14,464,586,306	13,011,217,964
<b>Net interest income</b>		8,509,480,966	7,998,930,236
Investment income	22(a)	3,293,064,994	2,311,462,131
Commission, exchange and brokerage	23(a)	3,495,510,223	3,110,434,216
Other operating income	24(a)	1,052,116,649	985,191,390
		7,849,691,866	6,407,087,737
<b>Total operating income (A)</b>		16,350,172,832	14,406,017,973
<b>OPERATING EXPENSES</b>			