

DIRECTORS' REPORT

Dear Shareholders,

The Board of Directors of Pubali Bank Limited takes this opportunity to welcome you all to the 40th Annual General Meeting (AGM) of Pubali Bank Limited during this most challenging time. We have the pleasure to place herewith the Directors' Report and the Auditor's Report together with the Audited Financial Statements of the Bank, for the year ended 31 December 2022 for your valued consideration, approval and adoption. A brief overview of the key performances of the Bangladesh and Global economy during 2022 and outlook for 2022 are provided in this report.

Bangladesh Economy

In 2022, the Bangladesh economy showed a promising signs of recovery since the backlash of Covid-19 pandemic. The successful completion of massive infrastructural development projects are the remarkable achievements of Bangladesh in the last year. The inauguration of the Padma Bridge heralds a new era of the country's development and also accelerated the way to head towards the developed country status. The county came under 100 percent electricity coverage with the inauguration of the country's biggest Payra 1320 MW Thermal Power Plant which is the third in Asia and the thirteenth in the world to use ultra-supercritical technology in producing power. On 19th October the second and final reactor of the Rooppur Nuclear Power Plant was inaugurated which is considered the most important development in the country's first nuclear power project. It is expected that this plant will produce electricity for a lifetime of a minimum of 60 years and will help Bangladesh to generate electricity without emitting carbon dioxide. The long-awaited Metro rail was inaugurated on December 28, 2022 which is a remarkable achievement in the history of public transport in Bangladesh. With the launch of Metro rail, Bangladesh has become the third country in South Asia to have metro rail after India and Pakistan. It is assumed that this sky train will contribute to ease traffic as well as to the making of a smart country by 2041.

But the outbreak of the Russia-Ukraine war severely disrupted the global supply chain as well as the global economy. The impact of the war was so deep that Bangladesh soon found itself confronting one of the most difficult periods in its history.

The major factors and other events that have impacted the Bangladesh economy drastically in the year 2022, are elaborated below:

Inflation

The average inflation of Bangladesh in FY 2021-2022 was 7.70 percent. But at the end of December this rate reached at 8.71 percent. The Food Inflation of the country reached at 9.94 percent in August, while the Non-food inflation increased to a decade-high 9.98 per cent in November.

GDP Growth

The country's per capita income increased to \$2,824. The pace of growth of Bangladesh's economy rose to 7.25 percent in 2021-22 fiscal year from 6.94 per cent the previous year.

Energy Market

An exponential increase in oil and gas prices owing to Russia's energy war, OPEC+ oil supply cuts and the European Union Embargo on Russian crude oil has resulted in surging inflation and unsustainable energy import bills. As a result, Bangladesh compelled to stop gas purchases as well as to shut down several diesel-run power plants.

Foreign Exchange Reserve

In August 2021, Bangladesh's foreign exchange reserve was \$48 billion. But it began to fall when the flow of remittance of the expatriate decreased suddenly as well as the banks gave the payment of the skyrocketing import cost of the importers which brought down the figure to below \$34 billion now.

Import

In spite of having shortfall of US dollar reserve, Bangladeshi importers had opened LCs worth \$92.23 billion to import goods in the fiscal year 2021-22, which was 37.59 percent more than the previous fiscal year. To rein the spending on the US dollar, Bangladesh bank tightened the import of luxury product since April. At the end of the year the country's total import payment stood at USD 71,020 million from January to December while in 2021 it was USD 67,905 million.

Export

The country's total Export growth remained positive despite the record inflation, fuel crisis, forex shortage and the higher cost of production because of the increase in gas and oil prices. All vital sectors, including apparel, leather and leather goods, home textile, jute and jute goods, performed well that year. Even in November, the country booked highest ever single month export earnings of \$5.09 billion, where garment industries contributed \$4.37 billion. At the end of the year the country's total export volume stood at USD 52,080 billion.

Exchange Rate

The extreme rise of import reduced Bangladesh's foreign currency reserves from the very beginning of last 2022 that caused the depreciation of the local currency against the US dollar. The inter-bank exchange rate of the US dollar against Bangladeshi taka crossed the Tk 100-mark in September.

World Economy

The wound of the corona epidemic has not yet been healed. The Russia-Ukraine war has aggravated the wound to a great extent. The economists assumed that the world economy will turn back from its negative trend, but ultimately could not pass a satisfactory trend in 2022.

The USA, UK, Singapore and European Union countries have imposed new sanctions against Russia over the Ukraine issue. But because of this economic sanction on Russia, negative impact has been fallen on the entire world economy.

Russia, the giant supplier of gas, oil, food and fertilizer was compelled to reduce their export volume to the world market since the imposition of new economic sanction. Like Russia, Ukraine is itself a major supplier of food grain. The stoppage of supply of gas, oil, fertilizer and food from these two countries adversely affected the international supply chain as well as the price hike of all the commodities in the world.

Srilanka a south Asian country was in crisis of foreign currency for the last couple of years. In last year this

crisis became so extreme that thousands of people compelled to come to the street protesting the government for want of food, medicine, gas, fuel and other necessities of life. In Sri Lanka the inflation reached to 55%.

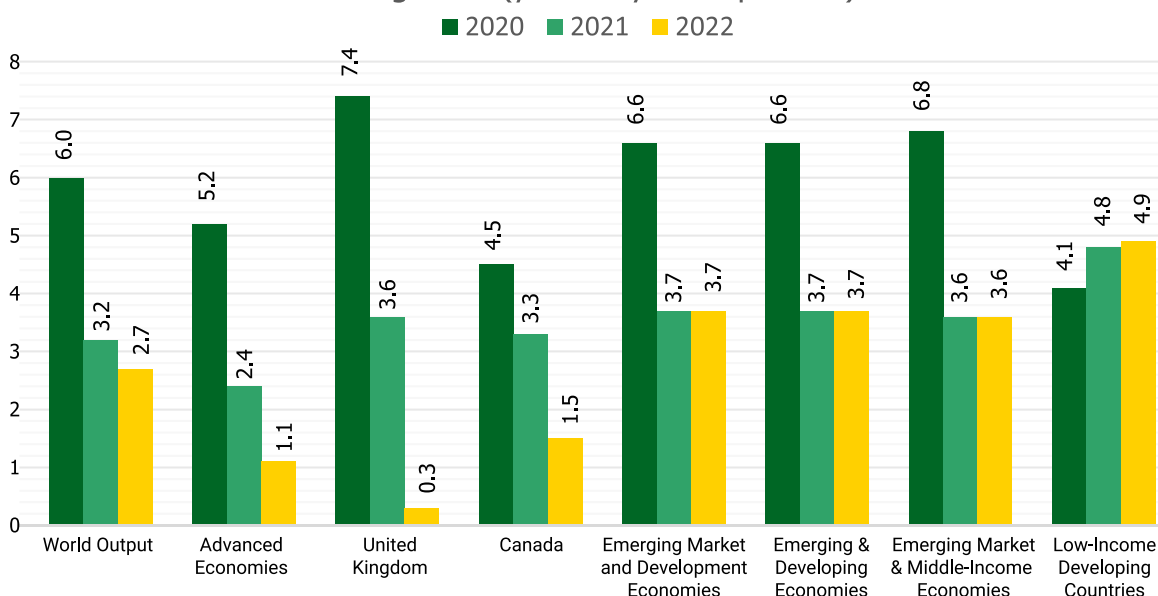
Pakistan had the same scenario as like as Sri Lanka. The Pakistan economy was about to collapse due to the shortage of fuel, electricity and gas. In South Korea, people protested for better salary, better working condition as well as for combating inflation. In South Africa the government could not buy food for want of sufficient foreign reserve. Even New Zealand, UK, Germany, Ecuador, USA etc. were in the group of inflation. In UK inflation was more than 10%. In Germany inflation was more than 7%.

The World Bank noted that the energy and commodity price in the global market decreased slightly in December that also impacted in the reduction of global inflation. World Bank warned that in the upcoming year there may be severe disruption in the global supply chain and will increase the inflation again.

Organization of Economic Co-Operation and Development a financial research institution of French has predicted that the economic turmoil in 2023 will be more challenging than 2022 due to the high interest rate, sky rocking inflation and the ongoing Russia-Ukraine war.

International Monetary Fund also predicted that the GDP growth will fell to 2.7% in 2023.

GDP growth (year on year in percent)



Source: IMF World Economic Outlook, 2022

An Overview of the bank

Pubali Bank Limited, the largest private commercial bank in banking industry of Bangladesh, was incorporated on 30th day of June 1983 as a Public Limited Company in Bangladesh under the Companies Act 1913 and started its operation in the year 1983, with an authorized share capital of BDT 16,00,00,000

divided into 16,00,000 ordinary shares of BDT 100 each. At present, the bank's authorized share capital is BDT 2000,00,00,000 divided into 200,00,00,000 ordinary shares of BDT 10 each. It was listed with Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange PLC in 1984 and 1995 respectively. Its vision is providing customer centric lifelong banking

services and one of the most prior mission is to be the most respected and preferred brand among all financial services providers in Bangladesh.

The Bank, in 2022, earned an after tax profit of BDT 532.18 crore which was after tax profit of BDT 390.45 crore in 2021. The deposit of the Bank grew by 10.47% to BDT 51,083.65 crore and loans and advances by 22.63% to BDT 46,188.41 crore compared to those of 2021.

Our product-basket encompasses Real Time Online Branch Banking, Pi banking, Islamic Banking, Deposit Products, Pubali Pension Scheme (PPS), Pubali Sanchay Prokolpo (PSP), Shikkha Sanchay Prokalpa (SSP), Digun Sanchay Prokalpa (DSP), Monthly Profit based Fixed Deposit, Monthly Profit based Small Deposit (Sadhin Sanchay), Target Based Small Deposit (Swapno Puron), Visa Credit Card, Master Card, ATMs, Short & Long Term Finance, Construction business finances, Consumer Loan, Special SME Loans, Special Agri Credit Program, Lease Financing, Trade Finance, Locker Service, Internet Banking, Off-Shore Banking, Corporate Banking, Syndicate Loan, Monthly Savings Scheme, Fixed Deposit, SMS Banking etc. in addition to our traditional credit and foreign trade related products and services. With a view to

providing brokerage services in the stock market, our Bank has established another subsidiary named "Pubali Bank Securities Ltd".

Corporate Governance

Pubali Bank believes that Corporate Governance is a journey and not a destination and it needs to be continuously developed, nurtured and adapted to meet the varying needs of a modern business house as well as the justified aspirations of our valued investors, other stakeholders and the society at large. The Bank also believes in transparency and accountability to the society as a whole through establishment of an efficient and effective Corporate Governance regime. In line with the same, Pubali Bank Limited has complied with the conditions as stipulated in the Corporate Governance Code issued on 03 June 2018 by BSEC. In this connection, the status of compliance has been annexed to this report. Further, a certificate of compliance from Mohammad Sanaullah & Associates, Chartered Secretaries, confirming compliance of conditions of Corporate Governance, as stipulated under condition 9(1) of the CG Code is also annexed to this report.

A detail review of Corporate Governance of the Bank is included in this Annual Report.

Rotation and Retirement of Directors

Pursuant to Companies Act 1994 under Regulation 79, 80 and 81 of schedule- I and as per article no. 90 & 91 of the Bank's Articles of Association, one-third of the directors will retire before the AGM and all of the retiring directors will be eligible for re-election. Under this circumstances, the following four (4) honorable Directors will retire in the 40th Annual General Meeting of the Bank and they will be eligible for re-election.

SL.	NAME OF THE DIRECTORS
1.	Mr. Moniruddin Ahmed
2.	Ms. Rumana Sharif (Nominated by Delta Life Insurance Co. Ltd.)
3.	Mr. Md. Abdur Razzak Mondal (Nominated by Thats It fashions Ltd.)
4.	Mr. Mustafa Ahmed

Meeting of the Board of Directors

During the year 2022, total 50 nos. of Board of Directors meeting, 2 nos. of Executive Committee meeting, 13 nos. of Audit Committee meeting and 4 nos. of Risk Management Committee meeting were held. Dates for Board and other Meetings are decided in advance and notice of each Meeting is served in writing well ahead of the meeting. The notice contains the detailed statement of business to be transacted at each meeting. The Board meets for both scheduled meetings and on other occasions to deal with urgent and important matters that require attention. A record of the Directors' attendance at Board and other Meetings during 2022 is set out on Report of Corporate Governance of this Annual Report.

Directors. As per the BRPD Circular no. 11 dated 27 Oct 2013 that the Chairman may be provided an office-room, a personal secretary/assistant, one peon/MLSS, one telephone at the office, one mobile phone to use inside the country and a vehicle in the business-interest of the bank and no other facilities were availed by the Chairman. As per the BRPD circular no.11 dated 04 Oct 2015, Directors are only paid fees, travel and hotel allowances for attending the Board, EC, Audit Committee, Risk Management Committee and Shariah Supervisory Committee. Only Managing Director is paid salaries and allowances as per recommendation of the Board and approval of Bangladesh Bank.

Remuneration of the Directors

The Bank does not pay any remuneration to its

Independent Director

As per the Bank Company Act, 1991 at least 2 directors should be from Independent category if the

maximum number of the Board members is below 20. Again, as per BSEC guidelines on Corporate Governance at least one fifth of the total Directors should be from Independent category. Therefore, the Board of Pubali Bank Limited appointed 2 (two) independent directors - Dr. Shahdeen Malik and Mr. Mohammad Naushad Ali Chowdhury. Among them, Mr. Mohammad Naushad Ali Chowdhury confirmed for appointment in the 39th AGM while Dr. Shahdeen Malik is continuing his directorship as independent director after completion of his 2nd term due to writ petition pending in the High Court.

Capital and Reserves

(Figure in million)

REGULATORY CAPITAL	CONSOLIDATED	SOLO
Tier-I capital		
1) Common Equity Tier-I Capital (CET-1)		
Fully Paid up capital	10,282.94	10,282.94
Non-repayable share premium account		
Statutory reserve	10,283.00	10,283.00
General reserve		
Retained earnings	18,700.55	18,040.40
Minority interest in subsidiaries		
Regulatory Adjustments		
Reciprocal crossholding & Intangible Assets	(230.90)	(210.65)
Deferred Tax Assets (DTA) on Loan Loss Provision	(4,523.53)	(4,523.53)
2) Additional Tier-1 Capital (AT-1)	5,000.00	5,000.00
3) Total Tier-1 Capital (1+2)	39,512.06	38,872.16
Tier-2 Capital		
General provision (unclassified loans + off balance sheet)	9,892.04	9,892.04
Subordinated debt	9,700.00	9,700.00
All other preference shares		
Regulatory Adjustments		
4) Total Tier-2 Capital	19,592.04	19,592.04
Total eligible capital (3+4)	59,104.10	58,464.20

Capital to Risk Weighted Assets Ratio (CRAR)

Pubali Bank Limited maintained capital adequacy ratio of 13.84% of the risk-weighted assets as on December 31, 2022 as against the minimum capital requirement of 12.50% (including CCB 2.5%) as set by Bangladesh Bank under Basel-III reporting through BRPD Circular No.18 dated December 21, 2014 of Bangladesh Bank.

Capital Market Scenario

The capital market of Bangladesh experienced an eventful year in 2022 due to various economic and geopolitical factors, including the Russia-Ukraine War, resulting in a decline of 8.14% DSEX Index i.e from 6,756.66 points to 6,206.81 points. At the beginning of the year the benchmark index DSEX performed well due to end of Covid-19 wave. It continued for one month and after that, the market started to move in downward. Beside Russian invasion of Ukraine, the Inflation, floor price, dollar crisis, hiked energy price, comparably low corporate earnings, and inter-bank interest rate were the pivotal reasons behind the gloomy condition for Bangladesh capital market in 2022. Daily Average Turnover in DSE decreased by 35.02% in 2022 (Y to Y) and was recorded at BDT 960 crore, compared to BDT 1478 crore in 2021.

The positive momentum of increasing exports and remittances, along with the potential relief from the dollar crisis through the IMF loan, there is optimism that the market may perform better in 2023. The potential strong performances of the market will largely depend on the increased participation of institutional investors, international investors, and small investors, and if other factors in the market continue to remain favorable.

Pubali Bank Securities Limited

Pubali Bank Limited started its operation in the Capital Market in the year 2006 under the Securities Trading Division (STD). After that as per the directive from Bangladesh Bank and Bangladesh Securities & Exchange Commission, Securities Trading Division (STD) of Pubali Bank Limited converted into a separate subsidiary company in the name of Pubali Bank Securities Limited (PBSL) which was incorporated as a Public Limited Company on the June 21, 2010 under the Companies Act 1994 and started its functioning from February 01, 2011 with an Authorized Capital BDT 5,000 (Five thousand) million only and an initial Paid up Capital BDT 1,600 (One thousand six hundred) million only. Currently the company is running with

a Paid-up Capital of BDT 6,600 (Six thousand six hundred) million and Authorized Capital BDT 7,000.00 million only as on 31.12.2022.

The company is the TREC (Trading Right Entitlement Certificate) holder of both Dhaka Stock Exchange Ltd. (DSE TREC# 214) and Chittagong Stock Exchange Ltd. (CSE TREC # 105) and also acts as a full-service Depository Participant of CDBL.

The company offers full-fledged high standard brokerage service for retail and institutional investors. PBSL also operate its Stock Dealing operation for its own investment in capital market. It has proven reputation in serving customers by maintaining strong compliance practices and highest ethical standard. Beside this, Pubali Bank Securities Ltd has been playing a vital role in capital market for stabilization & sustainable development of the market since its inception.

Throughout the year, PBSL has passed comparatively a good time in the year 2022 in terms of performance, profitability and brokerage activities despite the capital market faced challenges. PBSL will hopefully do better in 2023 and keep making progress going forward.

Dividend Policy

The Bank follows a stable Dividend Policy year over year which is depicted below:

- (a) The Company in General Meeting may declare a dividend to be paid to the shareholders out of the profits for that year or out of any undistributed profits of the previous year and fix the time for payment of it. No dividend shall exceed the amount recommended by the Directors and their declaration as to the amount of net profit of the Company shall be conclusive.
- (b) Dividend shall carry no interest as against the Company.
- (c) The Directors may from time to time pay such interim dividend to the shareholders as may be justified by the financial position of the Company.
- (d) If any bonus on shares is declared out of profits, and whether alone or in addition to any dividend thereon, the bonus shall for all purposes be deemed to be a dividend on the shares.

- (e) A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.
- (f) Unless otherwise directed, payment of dividend shall be made by cheque or warrant sent through registered post to the address of the shareholder or person entitled thereto or, in case of joint holders, to that one whose name stands first in the register in respect of the joint holding.
- (g) Any one of the registered joint holders of any share may grant effectual receipt of payment of dividend in respect of such shares.
- (h) All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. Unclaimed dividend shall not be forfeited.
- (i) Appropriation of profit or declaration of dividend shall be made by the Company in any year upto 50% of the profits remaining after payment of income/corporation taxes and creation of statutory reserves until the instalments stipulated for that year under the paragraph titled "THE PRICE" in part IV of the prospectus have been paid by the Company to the Government.

Dividend Declaration

Our Bank is paying healthy returns to its shareholders over the years and follows consistent Dividend Policy year over year. Listing Regulations of both stock exchanges and Bangladesh Secretarial Standard-4 (BSS-4) also enacted with the declaration of dividend. As per BSS-4 in Declaration of Dividend is as follows:

- Dividend should be declared by the Members at an Annual General Meeting on the basis of recommendation of the Board.
- Dividend should relate to a financial year.
- No Dividend should be declared on equity shares for previous year(s) in respect of which annual financial statements have already been adopted at the respective Annual General Meeting(s).
- Interim Dividend should be declared by the Board of Directors.
- Dividend, once declared, becomes a debt of the company and cannot be revoked in any way.

Pubali Bank Limited declared Cash & Stock dividend in different years as mentioned below:

Year	2022 (Proposed)	2021	2020	2019	2018
Cash	12.50%	12.50%	12.50%	10.00%	10.00%
Stock	-	-	-	-	3.00%

Dividend Distribution

Cash dividend shall be paid directly to Shareholders bank account within 30 (thirty) days from the date of approval by the Shareholders in the AGM.

The stock dividend shall be credited within 30 (thirty) days of approval subject to the clearance of the regulatory requirement.

Asset and Liability Management

Asset and Liability Management (ALM) is a key financial risk management discipline. ALM is concerned with risk management and provides comprehensive and dynamic framework for measuring, monitoring and managing liquidity risk, interest rate risk, foreign exchange risk and equity price risk in the context of bank business strategy. ALM framework is formed for risk management that can arise due to changing circumstances and it focuses on long-term stability and profitability of the Bank. The ALM desk is involved in analyzing the overall economic and market situation to fix interest rates on customer deposits and loans & advances of the bank.

Internal Control and Compliance

The system of internal control of Pubali Bank Limited is sound in design and has been effectively implemented and regularly monitored. The foundation

of Internal Control and Compliance system of the Bank is implemented in organizational structure, policies, procedures and instructions provided by its Board of Directors and Senior Management and as per prevailing laws, regulations, and best practices.

Today's Banks are highly exposed to compliance risk since they have a great number of stakeholders, e.g. regulators, customers, counterparties, tax authorities, local authorities, and other authorized agencies. Compliance risk can lead to imposition of fines & penalties, payment of damage, loss of market share, regulatory sanction and in severe case loss of franchise, etc.. Compliance risk can also lead to a diminished reputation, also known as reputation risk, arising from an adverse perception of the image of the Bank by customers, counter parties, shareholders or regulators. Our Bank has restructured its ICC organogram considering our large branch network, volume of operations, introduction of Risk Based Audit and stringent regulatory compliance.

For smooth functioning of Internal Control and Compliance, ICC wing of our Bank is comprised of three divisions, such as Audit & Inspection Division, Monitoring Division and Compliance Division and they are working separately and independently as shown below:



Audit & Inspection Division conducts audit as per Risk Based Audit Plan approved by the Audit Committee of the Board of Directors. IT auditor is attached with audit team to conduct IT audit. Synopsis of the audit report is placed before the Audit Committee of the Board of Directors regularly. Our Islamic Banking Wing conducts Shari'ah Audit in the Islamic Banking Windows of the Bank. Monitoring Division is engaged in monitoring function through different monitoring tools such as Pubali Monitoring System (PMS), Departmental Control Function Checklist (DCFCL), Quarterly Operations Report (QOR), and Loan Documentation Checklist (LDCL)/ Investment Documentation Checklist (IDCL), etc. Compliance Division deals with all regulatory compliance related activities and also functions as the contact point of the Bank. The division ensures regulatory requirements and industry practices in the Bank. Compliance Division has also been entrusted to implement the National Integrity Strategy of the Bank.

Audit & Inspection

Our Bank is the largest private commercial bank in Bangladesh in terms of branch network. Workload of Audit & Inspection Division has substantially increased due to expansion and diversification of business products & services, by addition of Branches, Sub Branches & Islamic Banking Windows. Each year Audit & Inspection Division sets out a Risk Based Audit Plan which is duly approved by the Audit Committee of the Board as per ICC Guidelines.

Internal Audit is carried out by following ICC Guidelines, Audit Manual, and regulatory instructions to minimize operational risks. Internal Audit Team examined whether business units are complying with Circulars/Guidelines/Credit norms relating to Cash Management, GB Services, Credit Operational Activities, Foreign Trade Business Portfolio and Classification Status of Loans etc. Moreover, all Regional Offices and 02 Principal Offices of our Bank also conducted Surprise Inspections, Surprise Visits on the Branches, Sub Branches and Islamic Banking Windows under their jurisdictions, IT auditors are attached to the audit teams to conduct IT audit as per ICT checklists to minimize ICT Risk. Thus operation risk reduces & strengthen Internal Control & Compliance.

Bangladesh Bank and its offices across the country also conducted Inspections on our different Branches and Head Office. In the year 2022, 38 nos of Bangladesh Bank Inspection reports were received for compliance. Moreover, external auditors M/s A. Qasem & Co. and MABS & J Partners, Chartered Accountants also conducted audit on the different branches of the bank.

As per Risk Based Audit Plan-2022, Audit & Inspection Division has conducted thorough audit on 491 Branches (including 12 High Risk, 202 Medium Risk & 277 low risk branches), 20 Regional Offices, 02 Principal Offices, 02 Off-shore Banking Units, 06 Core Risks, 25 Divisions of Head Office and Pubali Bank Securities Ltd., a subsidiary company of the bank.

Significant audit findings of the branches identified by internal audit and regulatory inspection are duly notified to the concerned branches and offices. Besides all out efforts are being taken by the concerned to remove such lapses and related compliance report with documentary evidence are placed before the higher authority as per ICC Guidelines.

IT & Automation

ICT Operation Framework secures qualitative and error-free implementation and management of daily banking operation, prompt support services against PIBS, PMS, BACH, BEFTN, Network, System, etc and assure all stakeholders with confidence that ICT processes are harmonized securely with the Bank's requirements and risks are effectively managed and mitigated within the Banking Operation System that

results in increased transaction volume, customer base as well as market share.

Pubali Bank Limited has been extending customer services at all of our **498 Branches, 125 Sub-Branches and 17 Islamic Windows** using our **In-house developed** core banking software, **Pubali Integrated Banking System (PIBS)**, and Pubali Integrated Islamic Banking System (**PIIBS**), under network environment.

The efficient members of the **Software, System, Network and Hardware Support Unit** at ICT Operation Division are extending quick support to the branches to solve any software/operational problems in banking software.

Considering the current **Cyber Security Threat Landscape**, we have introduced Multi-layer Security Controls to secure our Information Systems. The goal of Layered Security is to increase effectiveness of the security controls in place through a defensive strategy. We logically segregate our Data Center in different Zones such as Core zone, DMZ zone, Partner zone based on Application and minimize the attack vectors. We have already implemented Next-Gen Firewall and IPS, IDS, Email Security, Web Security, Web Application Firewall (WAF) and Advanced Malware Protection (AMP) to protect our environment.

Moreover, we are going to introduce Application Code Security, Privilege Access Management (PAM), Data Loss Prevention (DLP) etc. and we are working on implementing Security Operation Center (SOC) to monitor all threat landscape round the clock.

We have introduced **Mobile Banking Application of Pubali Bank Limited, PI (n)**, since 01 October 2020. Unlike Internet Banking, Mobile Application of the Bank will facilitate our valued clients with different transactional and non-transactional banking services under 24/7.

We have established our **Data Center** at ICT Operation Division, Head Office and **Disaster Recovery Center** at Uttara, Dhaka. Banking Data of our all the Online Branches are being stored both at our Data Center and Disaster Recovery Center simultaneously to ensure business continuity even in disaster.

We have **17 (Seventeen) Islamic Banking Windows** at different locations of the country, and the windows are run by our in-house developed software, Pubali Integrated Islamic Banking System (**PIIBS**). Customers of our Islamic banking windows can get selected services from any of our Online Branches through Online Banking Network.

We have successfully implemented **Active Directory Domain Services (ADDS)** to **centralize the administrative control** on **OS**

user authentication complying with **ICT Security Policy** of our Bank.

Pubali Bank Limited is moving towards state of art technology platform and in such a scenario, we are now at a stage of introducing technology based different alternative delivery channels such as Agent Banking, Booth Banking, Mobile Financial Services (MFS) and so on in the line with transforming Pubali Bank Limited to a paperless banking. ICT Operation Division is working hard for achieving this objective within a short period of time.

Risk Management

Banking companies in Bangladesh, while conducting day-to-day operations, usually face Credit Risk, Internal Control & Compliance Risk, Money Laundering Risk, Asset Liability Management Risk, Foreign Exchange Risk, and Information Technology Risk. Moreover, Residual Risk, Concentration Risk, Liquidity Risk, Reputation Risk, Strategic Risk, Settlement Risk and Environmental & Climate Change Risk are also brought into consideration. Success or failure of the bank depends to a great extent on proper identification and minimization of these risks. As per the BRPD Circular no.11 dated 27 October 2013, a Risk Management Committee of the Board was formed, and the committee is complying with the instructions of Bangladesh Bank. Furthermore, as per Bangladesh Bank DOS circular letter no: 13 dated 09 September 2015 and subsequent DOS circular no. 04 dated 08 October 2018, a separate Risk Management Committee at Management level has also been formed and named as Executive Risk Management Committee (ERMC). The Committee is responsible to Managing Director for compliance and implementation of the decisions. As a part of risk management, adequate capital is maintained against Credit Risk, Market Risk and Operational Risk under Risk Based Capital Framework. Under the second pillar of Basel-III, a Supervisory Review Process (SRP) team was formed to review, monitor, and maintain adequate capital considering all relevant risks. Quarterly Stress Testing is conducted to assess the impact of different risks associated with banking business on asset, liability & ultimately on capital, and the report is submitted before the Board and Bangladesh Bank regularly.

Performance of Pubali Bank Limited:

Pubali Bank Shares and Shareholders

Investors always look for a company which can meet their needs for dividend and capital gain. For the last few years country's Stock Markets have been remaining uncertain, inconsistent and unstable. We have a large number of shareholders which on 31st December 2022 stood at 32,290 (BO Shareholder-29,451 and Folio Shareholder-2,839). Year-wise Authorized Capital, Paid up Capital, Earnings per Share (EPS) and Net Asset Value (NAV) over the years are mentioned below:

(BDT in million)

Year	2022	2021	2020	2019	2018
Authorized Capital	20,000	20,000	20,000	20,000	20,000
Paid up Capital	10282.94	10282.94	10282.94	10282.94	9983.44
EPS	5.18	3.80	3.57	2.08	3.43
NAVPS	41.32	38.66	38.16	31.38	27.42

Preparation of Financial Statement

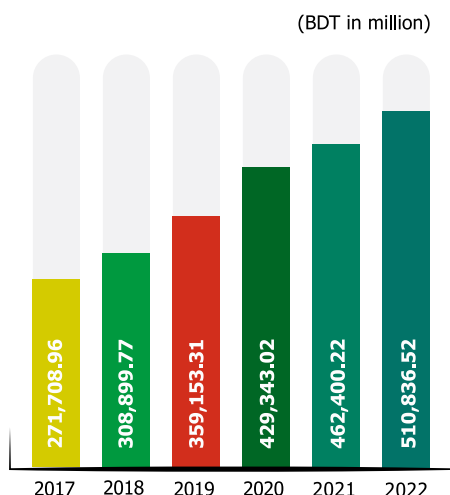
While preparing the annual report along with financial statements, true and fair presentation has been given priority. The Institute of Chartered Accountants of Bangladesh (ICAB) adopted the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank also mandated the implementation of Companies Act, 1994, IAS and IFRS. These standards and reporting system have also been complied with by our Bank in preparation of the Financial Statements.

Transparent Disclosure

Pubali Bank Limited prepares financial statements with adequate disclosures in accordance with the Bangladesh Accounting Standards (BAS), International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations. In order to prepare the financial statements, the management is responsible for designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying accounting policies and making accounting estimates that are reasonable in the circumstances. These financial statements, once prepared, are reviewed initially by CFO and CEO and then by the Audit Committee on a regular basis. After that, the Board reviews the financial statements of the Bank at the end of every quarter. The quarterly financial statements, along with notes are published on the two daily newspapers as well as the Bank's website. Furthermore, annual financial statements along with annual report are also sent to all Shareholders in a timely manner. On an annual basis, the Directors prepare the Directors' Report as part of the Annual Report which discloses the financial performance as well as non-financial information regarding bank's growth, responsibilities and other information in compliance with BSEC Notification. The Bank also abides by the applicable regulations in respect to Price Sensitive Information (PSI).

Statutory and other Reserve

At the end of 2022, the statutory reserve and other reserves of the bank stood at BDT 32,203.15 million, out of which statutory reserve was BDT 10,283.00 million, Retained Earnings was BDT 18,040.40 million and other reserve was BDT 3,879.75 million. Total Reserve was BDT 29,467.28 million at the end of 2021.



Deposits

The deposit growth trend was positive in 2022. At the end of 2021, Total deposit was BDT 462,400.22

Investment

Total investment of the bank was BDT 139,403.49 million in 2022 compared to BDT 145,632.76 million in 2021. The bank mainly invested in Government Bonds, Treasury Bills, Approved Debentures of private institutions and Capital Market through own portfolio.

Key financial figure of the Balance Sheet is given below

(BDT in million)

PARTICULARS	2022	2021	2020	2019	2018
Assets	712,755.71	629,481.34	565,467.21	478,074.84	409,744.09
Deposits	510,836.52	462,400.22	429,343.02	359,153.31	308,899.77
Loans & Advances	461,884.12	376,656.43	315,578.90	287,034.67	270,909.51
Shareholder's Equity	42,486.09	39,750.22	39,243.18	32,271.71	27,377.10

Foreign Exchange Business

a) Import Business

During the year the Bank handled import business worth BDT 274,383.00 million. During the previous year the amount was BDT 279,780.03 million. The amount of import business handled by the bank decreased by BDT 5,397.03 million during the year which was 1.93% lower than previous year.

b) Export Business

The bank handled export business worth BDT 183,174.90 million during the year as against 129,799.36 million in previous year which was 41.12% increase than previous year.

c) Inward Foreign Remittance

Non-resident Bangladeshis sent foreign exchange equivalent BDT 86,813.40 million in 2022 whereas the amount was BDT 60,500.20 million in 2021.

Total Operating Income

Due to the reasons explained above, total operating income of the bank increased by BDT 5,069.89 million during the year and stood at BDT 25,194.70 million.

million that came to BDT 510,836.52 million at the end of 2022 showing 10.47% increase. Out of the total deposits, Time Deposits BDT 425,131.06 million and Demand Deposits were BDT 85,705.45 million i.e. 83.22% and 16.78% respectively.

Borrowing from other Banks and Financial Institutions

In 2022 the bank borrowed BDT 65,017.70 million for business purpose compared to BDT 46,500.33 million during the previous year.

Lending to other Banks and Financial Institutions

In 2022 the bank lent BDT 9,810.25 million for business purpose compared to BDT 21,481.97 million the previous year.

Advances

Total advances of the bank as on 31 December 2022 stood at BDT 461,884.12 million showing an increase of BDT 85,227.69 million @ 22.63% growth.

In line with national economic development, the bank made advances mainly as Commercial Loan, Import & Export business, Term loan to large and medium scale industries, House Building loan, Working Capital loan, Consumer's Credit and Syndication loans etc.

Total Operating Expense

Total operating expenses of Pubali Bank Ltd. increased by 29.73% during the year mainly salaries & allowances and due to rental expense for the bank's hired premises.

The productivity of the employee continued to grow which is marked from the following ratio:

(BDT in million)

PARTICULARS	INCOME PER EMPLOYEE	EXPENSE PER EMPLOYEE	PROFIT BEFORE PROVISION PER EMPLOYEE	PROFIT BEFORE TAX PER EMPLOYEE	ASSETS PER EMPLOYEE
2022	5.36	4.11	1.26	0.94	78.92
2021	5.24	4.06	1.18	0.65	78.47
2020	4.70	3.67	1.03	0.71	69.66
2019	4.43	3.33	1.16	0.64	58.63
2018	4.25	3.08	1.17	0.75	54.01

Analysis of Income Statement of Pubali Bank Limited

(BDT in million)

SL	PARTICULARS	2022	2021	GROWTH %
1	Interest Income	29,813.19	22,737.80	31.12%
2	Interest Expenses	23,240.59	21,900.92	6.12%
3	Net Interest Income	6,572.60	836.88	685.37%
4	Income from Investment, Commission, Brokerage & Others	18,622.10	19,287.93	-3.45%
5	Total Net Income (Net Interest Income + Non Interest Income)	25,194.70	20,124.81	25.19%
6	Operating Expenditure	13,857.19	10,681.35	29.73%
7	Profit Before Provision	11,337.51	9,443.46	20.06%
8	Net Profit after Tax	5,321.77	3,904.55	36.30%

Total operating income & total operating expenditure of the Bank during 2022 were BDT 25,194.70 million and BDT 13,857.19 million respectively resulting a profit of BDT 11,337.51 million before making provision for bad and doubtful debts and income tax.

During the year the Bank made a provision of BDT 2,824.47 million against loans and advances, other assets, bad debt offsetting for IBW and off-balance sheet. Provision of BDT 3,191.27 million against Corporate Income Tax and deferred Tax. As such, net profit on the Bank stood at BDT 5,321.77 million.

(BDT in million)

Year	2022	2021	2020	2019	2018
Profit before provision & Tax	11,337.51	9,443.46	8,379.56	9,457.80	8,857.68
Net Profit	5,321.77	3,904.55	3,669.51	2,143.27	3,424.06
Return on Equity (ROE)	12.53%	9.82%	9.46%	7.51%	12.51%

Implementation of Basel III

Bangladesh has entered into the Basel III regime from January 01, 2015. Bangladesh Bank revised the capital standard based on Basel III and planned to implement it gradually from 2015 to 2019. A Capital Conservation Buffer (CCB) of 2.5% is to be built up @ 0.625% each year from the beginning of 2016 to 2019. This is in addition to existing Minimum Capital Requirement (MCR) of 10%. It means CRAR requirement will be 12.50% from January 01, 2019. To increase the quality and quantity of the capital base of the Bank, Basel III has introduced the following measures:

1. Tier 1 capital has been divided into two parts: Common Equity Tier 1 (CET1) and Additional Tier1

(AT1).

2. The definition of capital has been made stringent. Tier 3 capital has been eliminated.

3. The Bank has to maintain 3% leverage ratio along with Liquidity Coverage Ratio (LCR) of 100% or more and Net Stable Funding Ratio (NSFR) of more than 100%.

Pubali Bank Limited is well positioned in respect of capital and risk management. It has commenced reporting of CRAR, leverage and liquidity ratio from January 01, 2015 following the new risk based capital adequacy framework.

The Bank has a Supervisory Review Process (SRP) team comprising of members from the senior

management. They participate in dialogues with the Supervisory Review Process Evaluation (SREP) team of Bangladesh Bank on the issue of maintenance of adequate capital to compensate all the risks associated with business.

Stress testing is an integral part of Supervisory Review Process and is conducted through a prescribed format given by Bangladesh bank where impact on Capital to Risk Weighted Asset Ratio (CRAR) is assessed taking into account plausible shocks.

Pillar-III of Basel III aims at promoting market

discipline through regulatory disclosure requirements. The reports on disclosure enable market participants to assess more effectively key information relating to Bank's regulatory capital and risk exposures in order to keep confidence about the Bank's exposure to risk and overall regulatory capital adequacy. The Bank has published the disclosure incorporating all the changes in the revised guidelines. The Bank has also made a significant progress in implementing Basel-III and preparing itself to meet the upcoming challenges for implementing advanced approaches of calculating credit, market and operational risks.

The Bank is well positioned in respect of capital and risk management. The overall scenario as of December 31, 2022 under pillar-I is shown below:

CRAR (Solo)	CRAR (Consolidated)	Leverage Ratio	LCR	NSFR
13.84%	13.90%	4.69%(solo)	153.56%	103.14%

Going Concern

The Directors considered it appropriate to prepare the financial statements on the going concern basis. Going concern is one of the fundamental assumptions in accounting on the basis of which financial statements are prepared. Financial statements are prepared assuming that a business entity will continue to operate in the foreseeable future without the need or intention on the part of management to liquidate the entity or to significantly curtail its operational activities. Therefore, it is assumed that the entity will realize its assets and settle its obligations in the normal course of the business. It is the responsibility of the management of a bank to determine whether

the going concern assumption is appropriate in the preparation of financial statements. The Management of Pubali Bank Ltd. has calculated all the ratios related to the maintenance of regulatory capital & liquidity such as CRAR, LCR, NSFR, Leverage ratio, CRR & SLR and assessed adequacy of bank's liquidity as per structured liquidity profile, and has performed stress testing to determine bank's shock absorbent capacity in different distress scenario. All the ratios and results thus calculated reveal that Pubali Bank Ltd. is running well above the level of different parameters set by the respective guidelines of Bangladesh Bank. A detail review of Going Concern of the Bank is included in this Annual Report.

Network Expansion Program

Pubali Bank Limited, as a largest private commercial bank, always gives highest priority to accelerate its branch expansion programme to augment its customer base and provide banking services to unbanked people. The Bank invests in network expansion and new technology adoption to achieve competitive advantage.

Continue to our consistent progress we now have 498 (Four Hundred Ninety Eight) branches and 125 (One Hundred Twenty Five) sub branches that are placed in convenient locations, close to key shopping and commuting nodes. All branches and sub branches are Online and fully equipped new technology based covering all Divisions of the country. Pubali Bank Limited, as a leading financial institution, always gives highest priority to quicken its branch expansion program to net the un-banked population across the country.

Moreover, the Bank is also offering Offshore Banking facilities through 02 (Two) Offshore Banking Units (OBU) i.e. OBU-Principal Branch is located at A-A Bhaban, 23 Motijheel C/A, Dhaka and OBU-Agrabad Branch is at Agrabad Branch, 99 Agrabad C/A, Chittagong. The Bank is also providing "Shariah-Based Islamic Banking Services" through 17 (Seventeen) Windows to the customers. At present Bank's Authorized Dealer (AD) Branches are 29 (Twenty nine). The Bank is also providing "Evening Banking Service" through 87 (Eighty Seven) Branches to further augment its service delivery at extended banking hours. Division-wise distribution of Branches, OBU Units and Islamic Windows are given below:

Division	Urban Branches	Rural Branches	Sub Branch	Authorized Dealer (AD)	OBU Unit	Islamic Banking window	SME/ Krishi	Evening Banking
Dhaka	102	39	26	16	1	4	2	26
Chittagong	72	47	36	5	1	3	1	17
Sylhet	29	63	7	3	-	3	1	12
Rajshahi	20	14	14	1	-	1	1	11
Khulna	22	12	13	2	-	3	-	5
Barisal	16	14	14	1	-	1	-	6
Rangpur	20	7	11	-	-	1	-	6
Mymensingh	17	4	4	1	-	1	-	4
Total	298	200	125	29	2	17	5	87

Human Resources

Pubali Bank Limited had a total workforce of 9,031 (including 89 days basis) compared with 8,022 in 2021 and 8,118 in 2020 at the year end. We believe our employees are our most valuable asset. We aim to recruit the best talent, provide necessary training and develop retention policies with value based benefits as par with the industry's best practices. We established a broader framework for employee benefits and welfare that include Provident Fund, Gratuity Fund, life insurance policy, Staff Welfare Fund, Retired Employees Welfare Fund, subsidized medical facilities and so on. In 2022, the bank recruited 1,190 new employees in different ranks. We aim to create an environment for the employees where all can be self-motivated, inspired and committed to achieve the desired goal and ambition of the Bank. We also encourage the employees to speak up on the concerned issues to conceive the views and reflect it upon the decisions we make for the Bank. The Bank is committed to empower the workforce with quality skills, knowledge, and training and experiences with the expectation of better performance and professional attitudes and quality services to the customers to materialize the goal of becoming the Best Bank in the country.

A detail review of Report on Human Capital is included in this Annual Report.

Declaration of the Compliance of BSEC Notification

The Board is responsible to present a true and fair view of the Company's financial performance and position as a part of good governance and to that end the Directors confirm to the best of their knowledge that the following disclosures are made in compliance of certain provisions contained in the BSEC's CG Code dated June 3, 2018.

- a) The financial statements prepared by the management present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of account of bank's have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- d) Bangladesh Accounting Standards (BAS)/ Bangladesh Financial Reporting Standards (BFRS) as applicable in Bangladesh have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.
- e) The system of internal control in the Bank is sound in design and has been effectively implemented and monitored.
- f) There are no doubt upon the Bank's ability to continue as a going concern.

As required under BSEC's Corporate Governance Code, the Directors further confirm that the Chief

Executive Officer (CEO) and the Chief Financial Officer (CFO) have certified to the Board the following:

- they have reviewed the Financial Statements and that these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- they have reviewed the financial statements and believe that these statements together present a true and fair view of the Bank's affairs and are in compliance with the existing accounting standards and applicable laws; and
- there are, to the best of their knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or in violation of the Bank's Code of Conduct.

External Auditors

Based on suggestions of the Audit Committee, the Board recommends to reappoint A. Qasem & Co., Chartered Accountants and MABS & J Partners, Chartered Accountants as External Auditor for the year 2023 subject to approval by the shareholders in the 40th AGM of the Bank. This 02 (two) Chartered Accountant firms will audit the statement of accounts with due permission of Bangladesh Bank and Bangladesh Securities and Exchange Commission (BSEC). They are eligible for appointment as per rules and regulations. This 02 (two) Chartered Accountant firms expressed their willingness for reappointment.

Compliance Auditor

Pursuant to code 9.2 of the Corporate Governance Code issued by BSEC, the shareholders appointed Mohammad Sanaullah & Associates, Chartered Secretaries as the compliance auditor for the year 2022. As proposed by the Audit Committee, the Board recommended the appointment Mohammad Sanaullah & Associates, Chartered Secretaries as compliance auditor for the year 2023 subject to approval by the shareholders in the 40th AGM of the Bank.

Declaration of Dividend

The Board of Directors gives utmost importance on the principles of sharing good achievements with valuable shareholders of the Bank. The Board of Directors has recommended 12.50% Cash Dividend for all shareholders of the bank out of profit on the basis of audited accounts for the year ended 31st December 2022 subject to approval by the shareholders in the 40th Annual General Meeting.

Annual General Meeting

The 40th Annual General Meeting (AGM) of the Bank will be held on June 6, 2023 at 10:30 AM by using hybrid system (Physical and Virtual) as per notification of Bangladesh Securities & Exchange Commission.

Expectations in 2023

The Bank has put stress on the business target fixed up for the year 2023. The Bank put emphasis on retail banking business and to increase the small sized loan

portfolio. The target of Deposit and Advances are projected to be increased by 17.40% and 13.20% respectively. Import, Export and Foreign Remittance businesses are expected to rise by 9.34%, 20.10% and 15.19% respectively while operating profit target fixed is expected to be increased by 13.07%.

Corporate Social Responsibilities

Corporate Social Responsibility (CSR) has been a long-standing commitment at our bank. In Pubali Bank Limited, CSR is taken seriously. CSR activities are not undertaken purely for public relations, it is a part and parcel of who we are and how we have worked for decades. The Bank's contribution to social sector development includes several pioneering interventions and is implemented through the involvement of stakeholders within the Bank and through the broader community. CSR of the Bank is oriented with a view to helping the needy segment of the population of the society. Pubali Bank Limited believes in socially equitable development. The Bank is committed to ensure environmentally sustainable development. As a responsive corporate financial organization, the Bank has anchored its CSR activities on health, education, disaster management, sports, arts & cultures and on many other benevolent dimensions. Throughout the year 2022, the Bank participated in a numbers of CSR activities which encompassed social, environmental, ethical & philanthropic activities. The Bank undertook the voluntary contributions towards building a better society and cleaner environment beyond its financial commitments and regulatory obligations.

Pubali Bank Limited distributed a huge number of blankets among the poor, shelter less and cold-stricken people of the country through various organizations/societies. The Bank provided medical assistance for the distressed and unprivileged people of the society. The Bank donated good chunk of money in the following sectors in 2022.

In the year 2022, Pubali Bank Limited spent BDT 18.91 crore in different following categories for CSR activity. We are also one of the leading tax payers of the country.

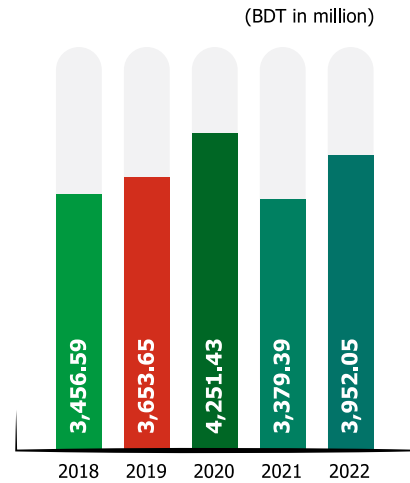
Disaster Management	BDT 12.27 Crore
Education	BDT 92.30 Lac
Health	BDT 3.76 Crore
Sports	BDT 1 Crore 50 Thousand

This report further encloses a detailed discussion on "Corporate Social Responsibility" under the Report of Corporate Social Responsibility.

Contribution to National Exchequer

Pubali Bank will continue to support Government's proposals that help to establish a sustainable level of tax contribution to the National Exchequer. The bank considered to be one of the major contributors in the economy and to the society of Bangladesh. During the year 2022, Pubali Bank Limited contributed BDT 2,065.59 million as taxes to the national exchequer.

The bank's contributions to the National Exchequer for the last five (5) years are given below:



Acknowledgement

The outcomes of the Year 2022 would not have been possible if not for the persistent support and encouragement of our stakeholders. The Board of Directors extend their warmest greetings to the valued customers, Patrons and well-wishers for their support and co-operation in the activities of the bank. The Board thanked the dedicated services of the Senior Management Team, all Executives and other employees of the Bank. The Board offers thanks to the Government of Bangladesh, Bangladesh Bank, Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange Limited, Chittagong Stock Exchange PLC, Registrar of Joint Stock Companies and Firms and Central Depository of Bangladesh Limited (CDBL) for their cooperation and effective guidance.

The Board also expresses its appreciation to A. Qasem & Co. and MABS & J Partners, External Auditors and Mohammad Sanaullah & Associates, Chartered Secretaries, compliance auditor of the Bank, for their efforts for timely completion of Audit. The Board of Directors also thanks both the print and electronic media personnel for giving media coverage to the Bank's different activities and events.

The Board thanks the respected shareholders and assures them that it will continue to add to the Shareholders' wealth through further strengthening and development of the Bank in which they have placed their trust and confidence. I also thank the respected shareholders for attending the 40th Annual General Meeting and contributing meaningfully to the deliberations and adoption of resolutions against the agenda.

On behalf of the Board of Directors,

Monzurur Rahman
Chairman of the Board of Directors