Report On

Implementation of IFRS Standards in the Bangladesh Finance PLC. Annual Report

By

Shawon Chandra Gohs
22104086

An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of
Bachelor of Business Administration

Brac Business School
Brac University
MAY 2026

Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

Shawon Chandra Gohs

22104086

Supervisor's Full Name & Signature:

Mr. Ahmed Abir Choudhury

Senior Lecturer, BRAC Business School

Brac University

Letter of Transmittal

Mr. Ahmed Abir Choudhury

Senior Lecturer,

BRAC Business School

BRAC University

Kha 224 Pragati Sarani, Merul Badda, Dhaka 1212, Bangladesh

Subject: Submission of Internship Report

Dear Sir,

I am pleased to submit my internship report titled **"Implementation of IFRS Standards in the Bangladesh Finance PLC Annual Report,"** as a partial requirement for the completion of my BBA program.

This report is compiled from my four-month practical experience working within the Internal Control and Compliance department at Bangladesh Finance PLC. This report mainly focuses on the gaps between structural and financial difference between global International Financial Reporting Standards and the statutory mandates required by Bangladesh Bank.

I have put my effort into making this report informative, analytical, and reflective of the real-world corporate financial environment. I am grateful for your continuous guidance, support, and valuable feedback throughout this project.

I hope you find this report satisfactory and up to the standards of BRAC Business School.

Sincerely yours,

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Shawon Chandra Gohs

22104086

BRAC Business School

BRAC University

Date: May 10, 2026

Non-Disclosure Agreement

[This page is for Non-Disclosure Agreement between the Company and The Student]

This agreement is made and entered into by and between **Bangladesh Finance** and the undersigned student at Brac University…………………………………….

Executive Summary

This report is about my four-month internship at Bangladesh Finance PLC in the Internal Control and Compliance department. I was looking at the company's 2024 report. My main goal was to see if the company was following the International Financial Reporting Standards. I also checked if they were following the rules set by Bangladesh Bank and the Bangladesh Securities and Exchange Commission.

I watched how the company worked and analyzed the rules they have to follow. I found out that the company has to deal with two sets of rules at the time. Sometimes the banks' rules override the International Financial Reporting Standards. The central bank tells the company how to report things and what assets they can recognize. In 2024 the company had to make a provision against their investments because of this. As a result, the company reported a loss. Had negative equity. This shows that the company is prioritizing following the rules over showing the financial picture.

To fix this problem the report suggests one thing. The company should use automated systems to report to both the bank and the International Financial Reporting Standards. They should also use models to predict credit losses and try to restructure their capital and recover their assets. The report also says that the company should try to get the rules changed so that they are the same for everyone in the industry. Additionally, the company should improve their internship program by giving interns experience in different departments and access to their systems. This will help interns become financial professionals.

Keywords: IFRS, Bangladesh Bank, Gap analysis, NBFIs.

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List of Acronyms

BB	Bangladesh Bank
IFRS	International Financial Reporting Standards
IASB	International Accounting Standard Board
IAS	International Accounting Standards

Chapter 1: Overview of Internship

1.1. Student Information:

Name: Shawon Chandra Gohs

ID: 22104086

Program: Brac Business School

Major/Specialization: Finance

Minor: Management Information System

1.2. **Internship Information:**

1.2.1. **Period: 04 months**

Joining Date: 18.01.2026

Leaving Date: 19.05.2026 (Extended 01 month)

Company Name: Bangladesh Finance PLC.

Department: Internal Control & Compliance

Project: Annual Report Development Project

Address: Bangladesh Finance Tower, 64, Motijheel C/A, Dhaka

1.2.2. **Internship Company Supervisor's Information:**

Name: Amitab Deb Nath, FCA

Position: Head of Internal Control & Compliance

1.2.3. **Job Scope**

Job Description: Even if our main team works on compliance matters of this company, as an intern our duty was to support the team to make the Annual Financial Integrated report of 2025 where we had to work on continuous development of report by comparing it to high scored standard annual reports from international banking and non-banking financial institute companies. Their expectation from our designation was:

1. Highly analytical thinking and descriptive writing,
2. Efficient in excel,
3. Have understanding of regulatory bodies for an NBFI.
4. Theoretical knowledge of different parts of integrated reports like

1.3. Internship Outcomes:

1.3.1. My contribution to the company:

In my intern tenure, despite being on the team of internal control and compliance, I was working on development of Bangladesh Finance PLC. annual integrated report 2025. I extensively compared last year's annual report with some of the international banking and non-banking financial institute's annual reports to see what new things we can integrate, which things we are doing better, and which layouts or designs are adoptable from them. Then finalized my suggestions and recommendations. Visualized them on Canva to present it to the whole annual report development team. Also, I have synced new information's according to 2025 data of Bangladesh finance. Rather than that I have done micro economic research for NBFI industry to see where we are standing. Finally, the corporate governance framework details regulatory compliance and synthesized Corporate Social Responsibility (CSR) disclosures.

1.3.2. Benefits to the student:

After going through all the process of research and learning from my supervisor I had extensive practical experience of developing an integrated annual report. This internship gave me the chance to explore every part of annual integrated report. How multiple regulatory bodies have an impact on annual reports and those regulatory bodies also contradict among themselves that we have to maintain. Ultimately, a light amount of gap always stays with the standards. But gives a full scenario of the company to the users of it. Most importantly to the investors, shareholders and customers.

1.3.3. Problems/Difficulties:

There is no problem I have faced during the internship in Bangladesh Finance PLC. but difficulties yes. As I am gaining hand on hand experience with real-life professionals many things have been difficult as these things are different from our academic theories. At first many things are hard or complex to grasp but once I go through the process it becomes normal.

1.4 Recommendations

There are couple of recommendations for Bangladesh Finance internship program to make it more valuable among students.

Structured Departmental Rotation: As far I have seen in Bangladesh finance when a intern works under a department he only works under that same department, and the work is also same repetitive work. For giving a better experience of the whole work environment there should be a structured rotational system that will make them rotate in different departments, so they have a idea how the whole business work. They will get experience and explore in which department they want to pursue in future, in which they are more interested.

Sandbox Access to core banking system: As an intern we do not get most of the data related things for security purposes, but it is keeping us apart from the major fundamental things as a finance major. So, there should be the implement of sandboxes with real but short or old data that gives us the hand-on-hand experience of how we store and manage banking data every day and take actions upon those.

Intern to Permanent program: There should be an evaluation program like MT (Management Trainee), from the very first day we should have been kept on track and given number or rating based on our different factors of performance. So, when the internship ends top performers can get a call for direct interview for the permanent job if they have vacancy.

Chapter 2: Organization Part

2.1.1 Introduction:

The operational ecosystem, governance structure and business model of financial institutions steer their strategic and accounting choices. This chapter offers an overview of Bangladesh Finance PLC, one of the leading Bangladesh Non-Bank Financial Institutions (NBFIs). Created to stimulate economic development, the institution has a diversified portfolio of Corporate Finance, SME Development, Retail Banking and a recently introduced Islamic Finance Division. Bangladesh financial sector is heavily regulated; Bangladesh Finance PLC is strongly regulated by the Bangladesh Bank (BB) and Bangladesh Securities and Exchange Commission (BSEC). This report will discuss later ho this corporate structure, governance and geographical operations are the reason behind specific internal control and accounting issue.

2.1.2 Scope of Study:

This chapter explains the outline of Bangladesh finance PLC. That includes:

Bangladesh finance’s background, mission, vision and products. How their institutional structure, the human resource and leadership policies are and combination of them making this business sustainable. What is its competitive advantage and how they are holding sustainability using its marketing strategy and Porter's Five Forces. Finally assessing the company's financials over the years to understand their market standing and financial stability.

2.1.3 Objective:

The objective of this chapter is to focus on Bangladesh Finance PLC's corporate and operational limits. This includes its strategic business plans, corporate structure, and its market share within the Bangladeshi Non-banking financial industry. I have used the past five financial years (2020-2024) financial data for the analysis to make sure it is up to date to the latest macroeconomic.

2.1.4 Methodology:

The data I needed for this analysis I have collected from two sources. They are:

- **Primary Sources:** While working on the ICC department I had the chance to have conversations with the senior colleagues and get insight of knowledge about Bangladesh Finance PLC. Rather than that I also had unstructured interviews with other departments like secretary, Human Resource management to know about their corporate culture and management style.

- **Secondary Sources**: In-depth desktop research was done using the Bangladesh Finance PLC Integrated Annual Report 2024, corporate brochures, the company's HR manuals and website. The macroeconomic industry data was verified with Bangladesh Bank publications.

2.1.5 Significance:

The inclusion of an in-depth analysis of the organization is of the utmost importance because financial reporting and compliance does not exist in isolation. To assess the International Financial Reporting Standards (IFRS) gap analysis discussed in the following chapters, it is important to understand the purpose of the organization's operations. This chapter sets the stage for understanding why the central bank imposes such strict and conservative provisioning regulations on this institution by describing its business model, in particular, its dependence on costly deposits and its targeted focus on lending to Cottage, Micro, Small and Medium Enterprises (CMSME).

2.1.6 limitations:

Although great care was taken to provide an accurate picture of Bangladesh Finance PLC, there were some difficulties in preparing this chapter:

Data Confidentiality: Bangladesh Finance is a highly regulated financial institution with stringent data confidentiality procedures in place. All sensitive internal documents, unredacted client portfolios and the minutes of the strategic meetings of the Board of Directors were inaccessible.

Time Constraints: A corporate internship is typically short-term (3 months), and hence, it was not possible to conduct an in-depth, micro-analysis of the entire organization on a department-by-department basis.

Market Volatility: Bangladesh's financial sector is undergoing significant regulatory changes that includes interest rate caps and directives from the central bank. Hence, some business strategies captured during the internship phase might be altered by the senior management in the near future.

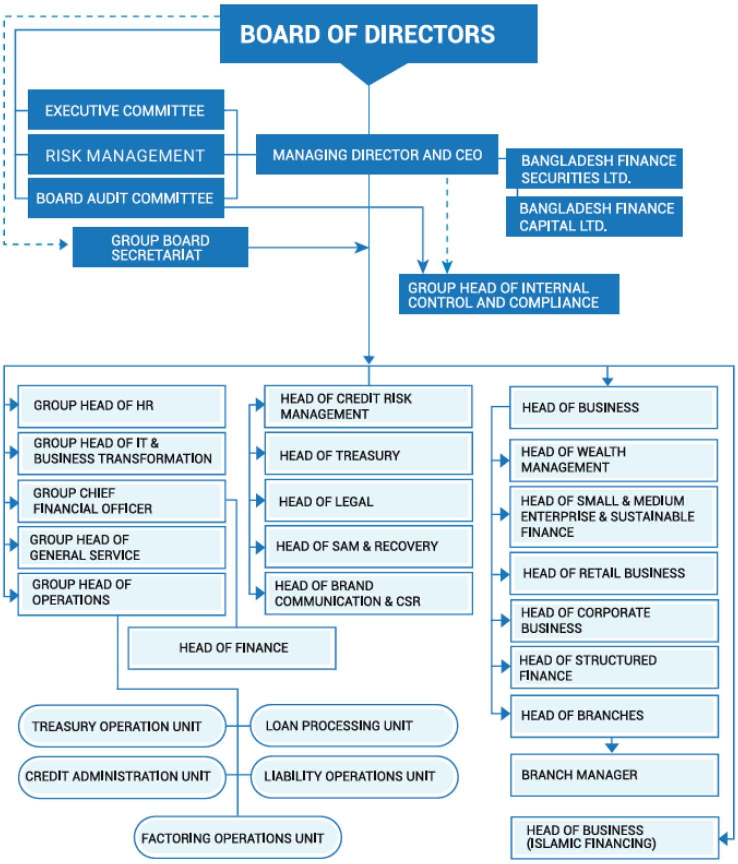
2.2.1 Overview of the Company:

Bangladesh Bank PLC. is one of the most successful and pressure enduring NBFI businesses even undergoing heavy economic deprivation. It was founded on 10 May 1999 by the incorporation of the company and commencement, after that on 22dec 1999 obtained their license from BB. Then finally commercial operations started 15 Feb 2000. Through the time they opened a total of 07 branches around Bangladesh. In 2007 it released its IPO and in the same year got listed in Chattogram Stock Exchange and Dhaka Stock Exchange. In 2010 and 2011 it introduced Bangladesh Finance Securities limited and Bangladesh Finance Capital Limited by Equity participation. Even though most of the NBFI's are failing Bangladesh finance PLC. earned AA credit rating in their long-term debt paying capabilities and ST-1 in short term debt paying capabilities.

2.2.2 Company Structure:

As earlier mentioned, Bangladesh finance two participation in equity-based means subsidiary part one is **Bangladesh Finance Securities Limited** (BFSL) and another one is **Bangladesh Finance Capital Limited** (BFCL). They have also got approval for opening a shariah based wing in 2020. So, they have a different form of business also that is Bangladesh Finance shariah limited.

2.2.3: Company Organogram:



This organogram shows the corporate structure and the chain of commands of Bangladesh Finance PLC. how the departments interact with each other and connects its operations to function efficiently. There is a breakdown of their level of authority and different parts to running the whole business to make it sustainable.

1. **Governance and Oversight: The Board of Directors**

   At the top of the corporate ladder is the Board of Directors. They are not involved in the day-to-day operations, but rather, they protect the interests of the shareholders, set the general strategic vision and ensure that the company also complies with the law.

- **Committees:** To manage certain high-level risks, the Board divides its duties between specialist committees--the Executive Committee, the Risk Management Committee, and the Board Audit Committee.
- **Group Board Secretariat:** This office acts as a bridge between the Board and the company's management and ensures that all the decisions of the Board are properly documented in legal documents and are properly communicated.

2. Executive Leadership: The Managing Director & CEO

The Managing Director and Chief Executive Officer are the highest-ranking operational officers as they report directly to the Board of Directors.

- **Role:** The mandate of the Chief Executive Officer is to translate the vision of the Board into the reality of operations by providing direction to all the subordinate functional departments.
- **Subsidiaries:** In addition, Chief Executive Officer supervises related business entities, namely Bangladesh Finance Securities Ltd., and Bangladesh Finance Capital Ltd.

3. Independent Oversight: Internal Control and Compliance (ICC)

Observe Group Head of Internal Control and Compliance (your department) This position is organized with the following different reporting lines:

- The daily administrative matters are reported directly to the Chief Executive Officer.
- It retains a dotted reporting line to the Board of Directors, normally through the Board Audit Committee
- This dotted line is for independence. Should the ICC team discover a major financial discrepancy or breach of compliance instituted by senior management, the team may report directly to the Board without having to fear intervention from the Chief Executive Officer.

4. The Three Pillars of Daily Operations

Subordinate to the Chief Executive Officer, the company is divided into three main functional groups which are conventionally called the Front Office, Middle Office and Back Office.

Pillar A: Business and Revenue Generation (The Front Office) This group (on the far right of the chart) is responsible for bringing in money.

- We retail, they are divorced in types of clients: Wealth Management (high-net-worth people), SME (small business), Retail (ordinary consumers), Corporate (large enterprise).
- The Head of Branches and branch managers operate under this wing, as they are the direct point of contact to the customers across the country.
- A separate division for Islamic financing is run on Shariah based principles.

Pillar B: Risk Management and Control (The Middle Office) The middle column represents a checkpoint. Prior to disbursing credit, this group has to evaluate associated risks.

- **Credit Risk Management:** Assesses the suitability of a client for a loan.
- **Legal:** Ensures that all contracts and agreements are in compliance with the applicable law.
- **SAM (Special Asset Management) & Recovery:** Manages the recovery of money from the client of the company when he defaults.

- **Treasury:** Controls the company's cash flow to ensure that there is enough liquidity for day-to-day operations.

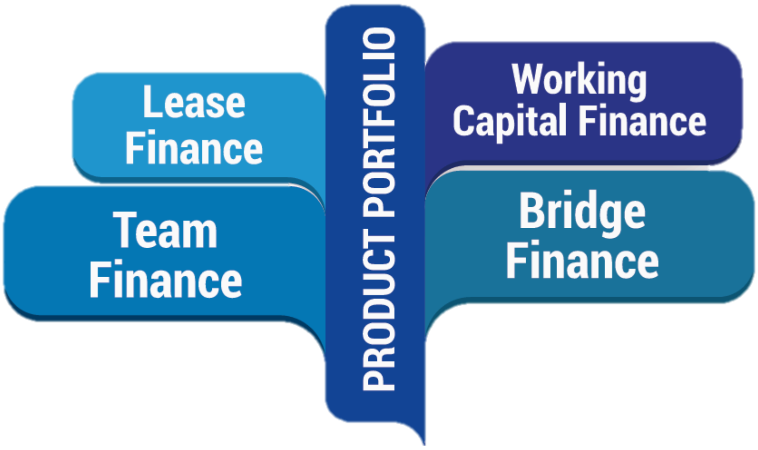
Pillar C: Finance and Operations (the Back Office). This group - on the left - ensures the seamless corporate operations from behind the scenes.

- **Support Teams:** General Manager - Support Teams: Human Resources: manages personnel, Information Technology: manages technology, General Services: manages physical office facilities.
- **Finance & Operations:** This is where processing takes place under the leadership of the Group Chief Financial Officer and Group Head of Operations. Upon approval, by Risk, documentation and fund disbursement are handled by the Loan Processing Unit and Credit Administration Unit. Concurrently the Treasury Operations Unit and Liability Operations Unit are responsible for back-end accounting for deposits and funding.

How it sums up together If a customer walks into a branch to get a business loan in 4 steps the whole operation works within the company:
First, The **Branch Manager (Front Office)** takes the application. Secondly, **Credit Risk Management (Middle Office)** reviews the application to make sure the business is profitable. Thirdly, once approved, the **Credit Administration Unit (Back Office)** drafts the loan documents and releases the money. Finally, **ICC** routinely audits these files to ensure every step of this process followed Bangladesh Bank regulations and internal policies.

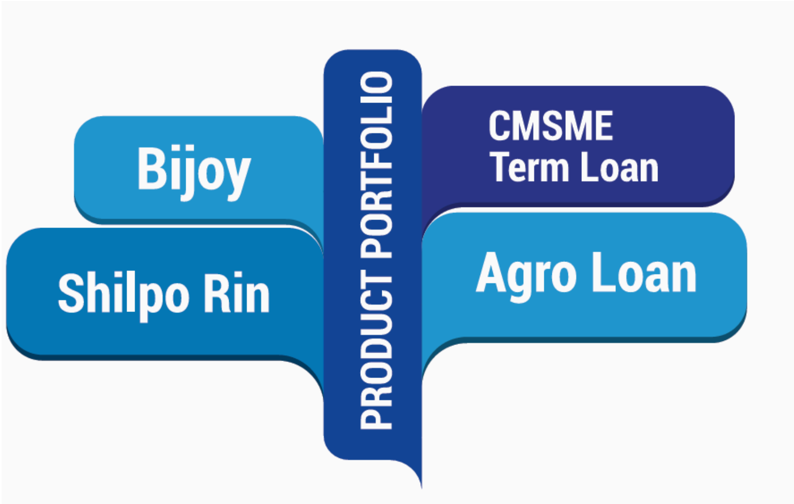
2.2.3: Company segments and products:

Corporate Segment:



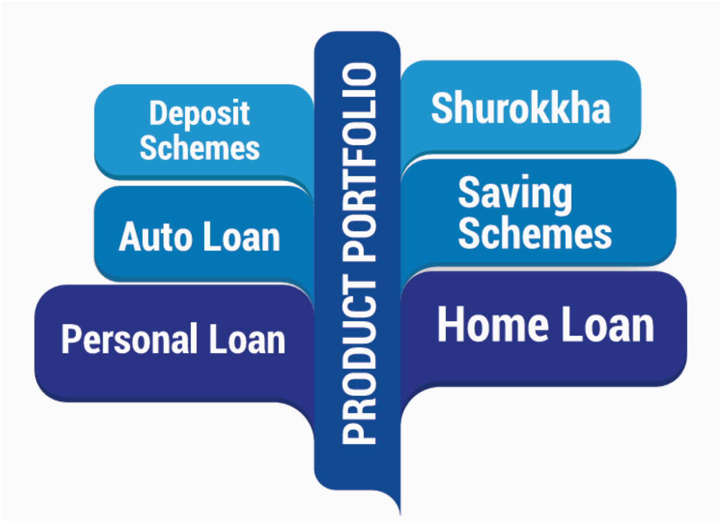
The Corporate Sector of the Bangladesh Finance PLC operates in a risk mitigation strategy with small corporate lending in promising sectors. The firm's focus on targeting highly potential industries such as Agriculture, Construction, ICT, Power and Ready-Made Garment industries, leads to a diversified and well-balanced loan portfolio. And in a competitive environment, the company is more into prudent growth rather than an aggressive expansion of lending. This is exactly the strategy being adopted by the firm by focusing on what it can do best by being heavily involved with existing highly credit-worthy clienteles and building long-term corporate relationships that will ultimately result in longer customer retention rather than only focusing on the revenue from lending. Bangladesh Finance has a special Corporate Product Portfolio to cater to these focus industries and corporate clients with diverse needs in operation and growth. This tailored portfolio includes the purchase of durable machinery without a large down payment, Lease Finance and long-term debt financing for businesses, Working Capital Finance to meet business operating cash needs. It also has Bridge Finance as a medium-term source of finance to ensure corporate clients' continuous maintaining of financial stability in their financial position while securing the long-term finance for specific projects.

SME Segment:



The SME Segment of Bangladesh Finance PLC is well positioned to make the best of the conducive government macroeconomic policies for the achievement of Cottage, Micro, Small and Medium Enterprise (C-MSM) Credit Growth. The firm is working on a vision to become the leading CMSME orientated financial institution and empowering small entrepreneurs, particularly women is the emphasis of the firm. This policy of inclusive growth is achieved through innovative digital co-financing model and an approach based on business clusters; this means that the firm is now able to extend financial services to the rural areas through digital platform. The financing to CMSME accounts for 24.28% of the firm's portfolio and it has an ambitious and selective plan to grow this in the next year to 40% with top-notch portfolio. In order to achieve these targets of growth and to provide specific working capital services to small enterprises, Bangladesh Finance has a dedicated CMSME Product Portfolio. This includes innovative financing schemes such as "Bijoy" and "Shilpo Rin" for grassroots and cottage enterprise financing. The institution also provides structured "CMSME Term Loans" to facilitate sustainable enterprise growth together with a range of "Agro Loans" that can tap the crucial agricultural enterprise segment and thus, enable national financial inclusion.

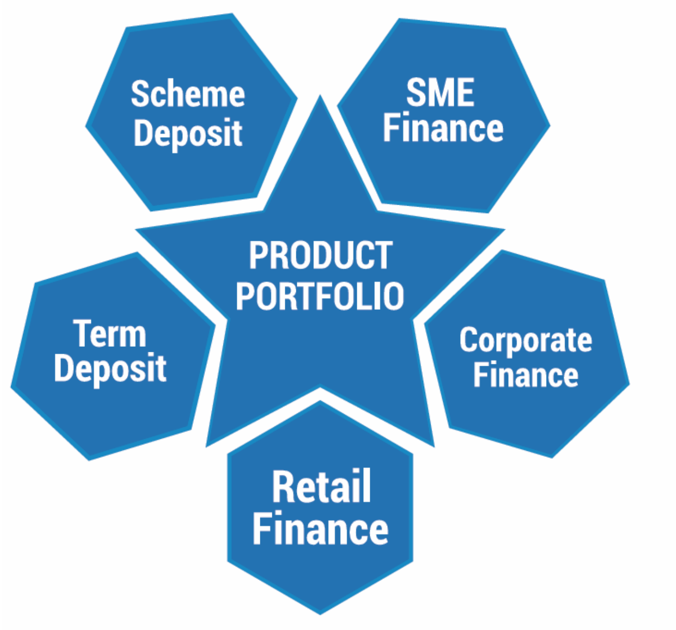
Retail Segment:



Bangladesh Finance PLC's retail segment has built strong and faithful client base with a focused operation efficiency and customer centric financial solution for the over 25 years. They offer clients the benefit of favorable interest rates and an easy loan sanction process than other institutions, the always try to help clients to meet their financing needs for personal purposes. Pursuant to strategic product development initiatives underway during 2024, management intentionally focused on the fortification and expansion of the pre-existence retail credit framework. These focused expansion activities had resulted in significant financial growth which boosted Retail Credit portfolio to a landmark of BDT1596million towards the end of the financial year.

To continue this path of growth and to cater to an unequal demographic, Bangladesh Finance has a complete Retail Product Portfolio, which includes credit and liability instruments. The credit suite has been augmented recently by the introduction of Personal Loans, especially for salaried individuals and professionals to complement continuing successful products like Affordable Home Loans, specialized Doctor's Loans and Auto Loans under a strategic partnership model. On the liability and wealth-building side, the institution secures clients' capital with an array of Deposit Schemes, Saving Schemes and targeted financial security products like "Shurokkha" and thus provides a holistic approach in retail banking to the day-to-day banking.

Islamic Finance Wing:



The Islamic Finance Segment, which is conducted under the brand name of Bangladesh Finance Islamic Finance (BFIF), is a strategically carved out a segment aimed to cater for the increasing requirement of Shariah compliant financial products in Bangladesh. The segment operates on the principles of ethical, interest free finance and it has exhibited robust growth in respect of its financing portfolio (BDT 1,223 million) and gathering of deposit (BDT 1,029 million). In aligning the operational structure of its business with the precepts of Islamic jurisprudence, Bangladesh Finance renders the practices of financial intermediation in Bangladesh socially inclusive to attract a cross section of customers who are more inclined towards the non-usual medium of banking. In the shadow of striving to maintain an unwavering observance of the laws of Shariah, the segment is supervised by a unique Sharia Samiti comprising renowned scholars and jurisprudists in the field of Islamic jurisprudence. It scrutinises all products and transactions for Shariah compatibility, prior to the product's entry in the market. Bank's Islamic product offerings are comprehensive and include liability products such as Mudaraba Term Deposits, Mudaraba Savings Deposits and specific kinds of Islamic financing such as Ijarah (leasing), Murabaha (cost-plus-profit trade) and HPSM (hire purchase under Shirkat-ul-Melk). These varied products enable the institution to cater to the needs of investment and finance requirements of corporate and retail clients while observing the principles of Islamic finance.

2.3 Management Practices

2.3.1 Management Leadership: The leadership style at Bangladesh Finance PLC can be described as a hybrid one: the functional level is predominantly Democratic where a leader always takes suggestion or recommendation of his employees, but the regulatory compliance and risk management is strictly Autocratic.

The overall governance, especially on the implementation of standards such as IFRS and internal controls is too sensitive especially in the financial sector and the tight regulation of Bangladesh Bank and BSEC to adopt a laissez-faire attitude. The top-down Board of Directors and CEO directives on credit risk, compliance and financial reporting are required to be adhered to without any flexibility.

Nonetheless, in the individual branches like the Internal Control and Compliance (ICC) division, the participative type of leadership is highly promoted. Managers and heads of departments actively seek the contributions of mid-level managers and interns in terms of analytical contributions, gap analyses, and operational feedback.

Critical Analysis: Achieving Org0anizational Goals This dual leadership structure is highly effective for an NBFI.

1. **Risk Mitigation:** The authoritarian imposition of regulatory structures makes sure that the core assets of the company are safe and that legal imperatives such as disclosures of the Integrated Annual Report are not legally flawed.

2. **Operational Excellence:** The departmental-level approach of participative promotes the culture of continuous improvement. The leadership makes sure that there is high employee engagement, innovative thinking and efficient day-to-day operations with employees by giving them the opportunity to participate in the problem-solving process like understanding how to close the gap between the BFRS and local central bank instructions.

2.3.2 Human Resource Planning Process

The Bangladesh Finance Human Resource (HR) department plays a vital role in its ongoing corporate, SME, retail and Islamic finance operations by providing it with a highly skilled workforce. The HR planning process comprises four processes:

1. Recruitment and Selection Process As a financial entity, Process As a financial entity the Bangladesh Finance follows a very rigorous recruitment process to uphold its ethical and technical excellence.

- **Sourcing:** Vacancies are advertised through organizational social media accounts, top-tier university career portals such as BRAC University OCSAR, and professional networking sites.
- **Screening & Assessment:** The hiring process is multi-level, which usually involves an initial review of the CV, and a series of interviews with HR and the heads of the departments, for fresh recruits they go through a 6-month internship then they need to do a presentation and interview with the MD of the company to become permanent.
- **Verification:** As the company is of a financial nature, background and guarantors' checks need to be done on a much larger scale in order to finalize the offer.

2. Compensation System Remuneration The company has a strong performance-based compensation system, which helps it to get the best talent in a highly competitive banking sector.

- **Core Benefits:** The employees are offered a structured salary, with house rent, medical and transport allowances.
- **Variable Pay:** To align the incentives with the company's mission (i.e. rapid growth in CMSME portfolios) the compensation system includes performance-based incentives and annual bonuses that are directly linked to the growth of the portfolios and risk management rules.
- **Long-Term Benefits:** The company has provident funds, gratuity and festival bonuses according to the Bangladesh corporate labor laws.

3. Training and Development One of the main concerns is the capacity-building of the staff as the global financial practices and local banking regulations are in constant change.

- **On-the-Job Training:** Trainees and new executives are given on-the-job training immediately such as the orientation on how to work with Management Information Systems (MIS) and how to do usual gap analyses.
- **Workshops & Certifications:** The HR department regularly conducts special workshops on anti-money laundering (AML), credit risk assessment and the changes in the application of IFRS/BFRS.
- **Leadership Development:** Mid-level managers are sometimes given strategic management and leadership training to prepare them to be senior operational managers.

4. Performance Appraisal System A formal performance appraisal system is implemented at the company which is objective and conducted annually or semi-annually in the probationary period.

- **Key Performance Indicators (KPIs):** The employees are appraised against KPIs set at the beginning of a financial year. For the case of business units, they are quantitative such as loan disbursement targets. In the case of control units such as ICC, quantitative KPIs like audit accuracy, timely reporting of compliance etc. are used.
- **Feedback Mechanism:** The procedure typically involves a self-evaluation from the employee and the direct superior. This facilitates clear communication about career development, improvement, and promotion/salary hike.

2.4 Marketing Practices

a) Marketing Strategy Bangladesh Finance is an NBFI and the marketing philosophy is based on a dual emphasis on the active solicitation of high-value depositors to build up a large liability base on one hand and on the other hand, selling credit products (loans and leases) to earn an interest income. In the last couple of years, the bank has shifted the focus from a quantity lending strategy to a risk and asset quality strategy. The focus of marketing has been changed to the long-term financial growth with a target of high creditworthy customers to ensure long-term profitability rather than short term market share growth.

b) Target Customers, Targeting, and Positioning Strategy

- **Target Customers:** Market is very segmented. Corporate division targets the high growth sector (Agriculture, ICT, RMG). The SME business targets Cottage, Micro, Small, and Medium Enterprises (CMSME), and particularly women entrepreneurs and rural clusters. The Retail division targets the HNIs and the salaried population for deposits.
- **Targeting & Positioning:** Bangladesh Finance will position itself as a very compliant, secure and modern NBFI. In particular, in its lending segment, it plans to be the most CMSME friendly bank in Bangladesh. It will be a safe haven to depositors as well, themed Building Resilience, Steering Towards Sustainability, etc.

c) Marketing Channels (for Products and Services) Distribution Channels (for the Financial Products and Services) Mass-market retail channels cannot be used as the financial products (particularly corporate leases and large term deposits) are to be trusted and tailored to individual needs in a complex way.

- **Personal Selling (Primary Channel):** It is a direct and personal activity dependent organization. The primary marketing channels are the full-time, commitment Relationship Managers and Branch Managers. They use their business network and arrange face-to-face meetings with the potential clients to secure large deposits and develop package corporate loans.

- **Partnership Channels:** The company is also using B2B2C channels (Business-to-Business-to-Consumer) such as Real Estate Developers in their Affordable Home Loans or Motor Dealers in their Auto Loans.

d) Product or New Product Development and Competition Bangladesh Finance continues to develop its products to compete. Recently the company has launched Personal Loans to salaried people and professionals, which is a complement to their Doctor Lending and Home Lending, to increase its Retail product portfolio. Bijoy and Shilpo Rin are tailor-made products in the SME segment developed to cater to the grass roots entrepreneurs. Their strategy to compete with the larger banks heavily relies on offering fast-track loan processing, and exemplary customer relationship management rather than price competition.

e) Branding Activities The brand of the company encompasses the brand of the corporate governance, ethical financing and the national development. The company builds a socially friendly brand by being involved in Green Financing and sustainable investment. In addition, launching the Bangladesh Finance Islamic is a major branding initiative to capture the growing market opportunity of the Shariah-compliant, interest-free ethical financing.

f) Advertising and Promotion Strategies while targeting its primary market through personal interaction, have highly targeted and efficient mass marketing plans.

- **Digital and social media:** The company uses its corporate website and LinkedIn and Facebook as the primary platform to build its corporate image and leads. Rather than promote company loans, retail liability products (such as the Shurokkha loan scheme) are pushed via social media and its success stories and corporate social responsibility and financial literacy programs.

g) Critical Marketing Issues and Gaps

- **Cost of Funds vs. Commercial Banks:** Marketing challenge for any NBFI in Bangladesh is to compete with the conventional commercial banks. NBFIs cannot offer CASA (Current and Savings Accounts) to the general public, hence the cost of funds to NBFIs is higher. This makes the task of the marketing team more challenging to give interest rates on loans as low as the commercial banks.
- **Macroeconomic Stress and Sectoral Trust:** Persistent inflation and interest rates in the overall economy have led to a collapse in the demand of private sector credit. In addition, the rise of the Non-Performing Loans (NPLs) in the banking sector makes the marketing team extra cautious, not selling loans to the new and untested customers and makes the process of collecting the deposit a harder target to reach.

2.5 Financial Performance and Accounting Practices

Finance Performance:

The past five years have been stormy for Bangladesh Finance PLC. Whereas the years 2020 to 2022 were marked by consistent profitability and growth in assets, the financial years 2023 and 2024 suggest a time of crisis and restructuring. Some major factors in their recession are declining operational revenue, increasing cost of funds, and statutory provisioning

1. Profitability and Efficiency Analysis: the Profitability and efficiency indicators show that the institution has significantly worsened the situation in the past two years.

- **Declining Revenue:** Operating Revenues reached its peak at BDT 2,137 million in 2021 and have steadily declined to BDT 1,102 million in 2024 due to high provision against investments.
- **Rising Cost of Funds:** where revenues were declining, Financial Expenses inclined from BDT 1,001 million to BDT 1,534 million from 2021 to 2024. This interprets an efficiency problem; possible reason can be increase in macroeconomic interest rate increased the cost of deposit and borrowing.
- **Net Profit and the Provisioning Shock:** Net Profit After Tax has declined from BDT 305 million to a net loss of BDT -7,938 million from 2021 to 2024. A massive reduction in profitability. Provision Against Investment was the major contributor to this massive which increased from BDT 678 million to BDT 8,364 million from 2021 to 2024.

2. Return Ratios from Du-Pont Framework Perspective: A DuPont analysis of the return ratios decomposition of Return on Equity into Profit Margin, Asset Turnover and Financial Leverage shows trouble throughout the institution**:**

- **Return on Assets (ROA):** ROA fell from a healthy 1.82% in 2021 to a severely negative 38.61% in 2024. Given that Total Assets increased to BDT 20,864 million in 2024, the negative ROA reflects the lockdown of the net profit margin due to the provision of BDT 8.36 billion, not a reduction in the asset base.
- **Return on Equity (ROE):** ROE plummeted from 10.55% in 2021 to an extreme -455.38% in 2024. The outlandish negative return is caused by the equity of the company being destroyed by the net loss.

3. Liquidity, Solvency, and Leverage Analysis The bank's solvency and capital structure have been significantly affected.

- **Equity:** Equity has declined from its highest point of BDT 3,277 million in 2022 to negative BDT -5,656 million in 2024. Negative equity shows a serious solvency problem with total liabilities currently exceeding total tangible assets.

- **Funding Mix:** The company continued to fund its asset base Loans, Leases and Advances at a constant BDT 14,685 million in 2024 despite the equity wipe-out. This was done while keeping Total Deposits at BDT 8,637 million and massively raising Financing to BDT 4,718 million in 2024. This suggests significant funding from debt.

4. Market-Value and Valuation Analysis The financial and solvency problems are reflected in the market values of the company.

- **Earnings and Dividends:** Earnings Per Share (EPS) has fallen from BDT 1.69 in 2020 to BDT -41.61 in 2024. As such, the Rate of Dividend was consistent with 10-12% from 2020-2022 but ceased (0.00%) in 2023-2024.
- **Wealth Destruction (MVA Indicator):** The Year-End Market Price Per Share declined from BDT 54.40 (2021) to BDT 11.80 (2024). Total Market Capitalization declined from BDT 9,660 million (2021) to BDT 2,221 million (2024).
- **Net Asset Value (NAV):** The NAV Per Share became heavily negative at BDT -30.05 in 2024 as the result of the negative Shareholders Equity.

Accounting Practices:

1. Core Accounting Principles

The company follows the basic accounting principles as outlined by International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB). But as a highly regulated Non-Bank Financial Institution (NBFI), there are some changes:

- **Regulatory Override (Substance over Form):** Although the company follows the IFRS principles, it explicitly mentions that if any of the requirements of IFRS are inconsistent with the requirements of the Finance Company Act 2023 or the circular of Bangladesh Bank (BB), the circular of BB will prevail.
- **Going Concern Principle:** Management undertook a comprehensive review and explicitly stated that the financial statements have been prepared on the basis of "going concern". Even with significant net losses in 2024 Consolidated loss: BDT 7,833.15 million and negative equity, this was justified by recovery plans, business portfolio restructure and sufficient liquidity.
- **Consistency Principle:** The accounting policies have been applied consistently in the current and previous periods. Any change in accounting policies or accounting estimates is accounted for on a prospective basis.

2. Method of Accounting

The Accrual Basis of Accounting is followed by Bangladesh Finance, which is the IFRS requirement.

- This is well-documented in the notes with the existence of Deferred Tax Assets (BDT 105.25m in BD Capital) , Provisions for Loans and Advances (BDT 8,623m) and Advance Income Tax.
- With the exception of Non-Performing Assets: Even though accrual accounting recognizes interest as it is earned, the company operates under BB guidelines that once a loan is downgraded to a "Special Mention Account" or worse, the interest income can no longer be accrued into the profit and loss account. It is to be transferred to an "Interest Suspense Account".

3. The Accounting Cycle

Being a public company and audited by renowned external auditors (Snehasish Mahmud & Co., Chartered Accountants), Bangladesh Finance strictly follows the full accounting cycle.

- **Adjusting Entries:** There are huge end-of-period adjusting entries in the financial notes. For instance, in 2024, management made massive adjusting entries to account for a staggering BDT 7,846.77 million of provisions on classified loans, margin loans and other non-performing assets.

- **Interim Reporting:** The cycle is not merely annual; it completes the accounting cycle quarterly to report quarterly operations (Q1, Q2, Q3 and Q4) in accordance with the BSEC regulations.

4. Depreciation and Amortization Methods

The depreciation and amortization policies of the company are consistent and properly mentioned in Note 2.11.2 and Note 2.11.3:

- Depreciation Method: Bangladesh Finance only uses the Straight-Line Method for all types of fixed and intangible assets.
- **Depreciation Rates for Tangible Assets:** * Office Equipment: 25%
  - Office Renovation: 20%
  - Furniture & Fixtures: 20%
  - Motor Vehicles: 20%
  - Building: 10%
- **Right-of-Use (ROU) Assets:** ROU assets under IFRS 16 (Leases) are depreciated on a straight-line basis from the start date until the end of the lease period.
- **Amortization of Intangible Assets:** IT systems are amortized at 25% per year using the straight-line method.

5. Accounting Disclosures

The Bangladesh Finance Annual Report features disclosures that are extremely comprehensive, covering both financial accounting and Bangladesh Bank requirements for banks:

- **Disclosure of Departures from IFRS:** The company clearly outlines the deviations from IFRS Note 2.10. For example, while IFRS 9 mandates that investments be valued at fair value, Bangladesh Bank requires quoted shares to be valued at cost with provisions made only for downward value changes (not allowing the recognition of unrealized gains).
- **Pillar III Market Discipline Disclosures:** The report provides a lot of qualitative and quantitative information about risk management such as Credit, Market and Operational Risk as required by the Basel II framework.
- **Use of Estimates and Judgments:** The notes include information on the areas in which management made subjective judgement and estimates such as revaluation of land, deferred taxes, and loan impairment grading.
- **Related Party Disclosures:** Complete disclosure under IAS 24 is made in Note 43, showing the movement of deposits and loans between the NBFI and its directors' related parties.

2.6 Operations Management and Information System Practices

1. Use of Information Systems (Data Management & Stakeholder Sharing)

Bangladesh Finance has made significant investments in digital transformation, using IT systems from the last 10 years under its "Managed Evolution and Digital Fast Lane" approach.

- **Acquiring, Storing, and Analyzing Data:** The company has a central data warehouse to store large amount of data. The company uses predictive data analytics machine to analyzing this data, providing more insightful information into customer interactions and credit risks.
- **Sharing Information with Clients:** The company employs a multichannel method of communicating with clients. They provide an easy way of communication through a client Portal where all the information's of clients and their data are available, SMS notifications and e-KYC for digital onboarding for the customer from long distant.
- **Sharing Information with Regulators:** For regulators, the company has a direct data integration system. For example, their online treasury system is connected with Bangladesh Bank for liquidity reporting requirements in real time.

2. Database and Office Management Software in Place

Bangladesh Finance PLC. uses a mix of enterprise software and in-house developed system to manage its office and financial data processing.

- **Core Banking Software:** Their Core Banking Solution (CBS), **FinUltimus**, is the main database and processor of all their reporting and transaction management for financial operations.
- **Office and Departmental Management Software:**
    - **HRIS:** Human Resource Information System (HRIS) is used to store employee information, automate processes and measure productivity.
    - **IIVMS:** An Integrated Inventory and Vendor Management System is used for supply chain management.
    - **In-House Modules:** To save costs and have better control over customization, the IT team also designed some of the office management tools, such as a Centralized Case File Management Module, a Deposit MIS Dashboard, and payroll and tax Mushak automation.
- **IT Infrastructure:** The databases and servers are controlled by IT technologies like VMware vSphere, Active Directory Domain Controllers, and ManageEngine OpManager for monitoring Network.

2.7 Industry and Competitive Analysis

This is a formal competitiveness analysis of the organization using Porter's Five Forces and a customized SWOT analysis. This chapter represents the present macroeconomic and regulatory environment of Non-Bank Financial Institutions in Bangladesh.

1. Porter's Five Forces Analysis of Bangladesh Finance PLC

This model assesses the level of competition and the attractiveness of Bangladesh Finance in the financial sector.

- **Rivalry Among Existing Competitors (High):** Bangladesh has a crowded financial sector. Bangladesh Finance is competing with 35 other NBFIs like IDLC, IPDC, etc. as well as more than 60 commercial banks. The cost of funds for commercial banks is much lower, as they have access to low-cost Current and Savings Accounts (CASA), putting NBFIs in a difficult position to compete for corporate and retail borrowers.
- **Threat of New Entrants (Low):** The threat of new NBFI entrants is very low owing to stringent regulatory requirements. The Bangladesh Bank has set very high minimum capital requirements and the recently passed Finance Companies Act 2023 includes high compliance, governance and operational requirements, making it very difficult for new entrants to join the market.
- **Bargaining Power of Suppliers / Depositors (High):** In the case of NBFIs, the "suppliers" are depositors and lenders of the core funds. They have extremely strong bargaining power. New regulations (such as restrictions on deposits in the Finance Companies Act 2023) and macroeconomic inflation mean depositors expect to earn more. Depositors can easily park their money with safer "traditional" commercial banks, so Bangladesh Finance needs to constantly offer the best rates and best customer service to attract deposits.
- **Bargaining Power of Buyers / Borrowers (Moderate to High):** Segment-dependent buyer power. Corporate clients have high bargaining power as they can negotiate with commercial banks for a lower interest rate. However, in the CMSME segments - which Bangladesh Finance is strategically focusing on - bargaining power is moderate. Small entrepreneurs face challenges in accessing traditional bank financing, and are more likely to rely on NBFI financing with flexible payment options.
- **Threat of Substitute Products (High):** The major substitute is traditional banking products. The recent emergence of Mobile Financial Services (MFS), and the online micro-lending industry also represent a threat, primarily to the retail and micro-SME loan products.

2. SWOT Analysis and Competitive Advantage

In order to determine the key competitive advantage of Bangladesh Finance, we need to classify the strengths according to whether they are easy or difficult to copy.

Strengths (Categorized for Competitive Advantage):

- **Common Strengths:** Bangladesh Finance has a product mix of lease finance, home loans, factoring and a centralized business structure.
- **Imitable Strengths:** The recent introduction of another wing Islamic Finance and the online client portals such as the Mobile Super App are main reason of high revenue-generating traits.
- **Distinctive Strengths:** Bangladesh Finance has a robust Internal Control and Compliance system combined with CMSME cluster-lending specialty. As per recent financial statements, the company made provision for classified loans, for ensuring that the balance sheet look good for the long term and complies with the Bangladesh Bank guidelines, rather than reporting short-term goals or profits.

Weaknesses:

- **Structural Cost of Funds:** The NBFI status, without CASA, means that the cost of fund acquisition will be higher than for commercial banks, thereby impacting the net interest margin.
- **Recent Profitability Shock:** Large provisioning against non-performing investments to develop the balance sheet has diminished shareholder equity and short-term profitability.

Opportunities:

- **CMSME Expansion Policies:** Supportive government and central bank refinancing programs to promote the CMSME and agricultural sectors are well aligned with the company's growth objectives to reach a 40% share of CMSME loans.
- **Shariah-Compliant Market:** Bangladesh has a huge market opportunity for ethical, interest-free Islamic finance products among retail and SME customers, which the newly launched Islamic banking branch is well-positioned to tap.

Threats:

- **Macroeconomic Instability:** High inflation, dollar shortages, and increasing interest rates weaken private sector credit demand, and could increase the overall industry Non-Performing Loans.
- **Regulatory Tightening:** Various provisions of the Finance Companies Act 2023, particularly new caps on individual and joint deposits, promise to create liquidity problems for all NBFIs, and demand strategic agility by the management team.

2.8 Summary and Conclusions:

This chapter has discussed the structure, strategy and governance of Bangladesh Finance PLC. Bangladesh Finance is operating in the highly regulated environment of Bangladesh Bank and the BSEC and has developed its own strength and flexibility as a resilient and multifunctional Non-Bank Financial Institution (NBFI). The bank's business model is strategically segmented into four spaces: Corporate, SME, Retail and Islamic Finance, with a positive outlook regarding the development of the CMSME sector and sustainable and risk-adjusted financing of corporate. As such, Bangladesh Finance has a robust corporate governance. It has a unique blend of participative in terms of bottom-up model of operational level to drive innovation and autocratic in terms of regulatory compliance management style. This is complemented with active Human Resource planning and effective, centralized Information Systems like the FinUltimus Core Banking system, like operational and quality management applications. It faces a tough macro-economic environment in terms of its competitive position. The financial results of the past five years reveal an abnormal profit squeeze in 2024 due to high statutory provisioning against the bad debt to clean up the balance sheet. Despite these operating losses in the short to medium term and inefficiencies of running an NBFI without cheap CASA deposit, it has complied with the IFRS and local accounting standards. Bangladesh Finance PLC's competitive strength is still on its superior Internal Control and Compliance (ICC) systems and market niches.

Conclusion

Bangladesh Finance PLC is a modern financial institution on the threshold of new direction. It is moving from high growth lending to a conservative balance sheet, ethical underwriting and compliance. While the company may have been temporarily affected in business performance by the global and local macro-economic environment, and internal provisioning, the company's governance and structure from its sophisticated IT system and down to its risk management committees is very sound. This complex corporate environment needs to be understood. Compliance derived from the culture of the company, and the interaction of the international financial reporting standards (IFRS) and the conservative prudential regulatory framework of the country's central bank is the overall context in which the business is conducted. In this backdrop of its strong culture of compliance, the specific roles, gap analysis and compliance activities undertaken in the internship period in the Internal Control and Compliance (ICC) department will be discussed in detail in later chapters.

2.9 Recommendations/Implications:

Considering the comprehensive assessment of the firm's financial results, competitive position and operations in the past five years, the following are the strategic recommendations and implications for Bangladesh Finance PLC:

1. Aggressive Non-Performing Loan (NPL) Recovery and Asset Quality Management

- **Implication:** The large provisioning of BDT 8.36 billion in 2024 had a devastating impact on profitability and shareholders' equity. This improved the balance sheet but points to a weakness in the past.
- **Recommendation:** The company must urgently shift its focus to aggressive recovery of loans. Special Wealth Management and Recovery team should be strengthened and motivated. Also, the Credit Risk Management must roll out even more strictly, data-driven prescreening should be stronger to avoid increase in non-performing loan in future, and to ensure that new do not fall under classified loan.

2. Capital Restructuring and Solvency Restoration

- **Implication:** The current negative equity BDT -5,656 million in 2024 is a critical structural and regulatory risk under the new Finance Companies Act 2023.
- **Recommendation:** Management needs to focus on a capital restructuring program. It may require considering the issuance of subordinated debt, rights or new equity partnerships. Rebuilding a positive Net Asset Value (NAV) is essential to re-building depositor and investor confidence in the capital markets.

3. Optimizing the Cost of Funds through Central Bank Refinancing

- **Implication:** As an NBFI, Bangladesh Finance does not have access to low-cost Current and Savings Accounts like commercial banks, and thus finds it hard to compete during high inflationary times
- **Recommendation:** To avoid the high cost of retail deposits, the company should proactively engage in low-cost refinancing and pre-financing with Bangladesh Bank. By investing these low-cost funds exclusively in their target CMSME, women entrepreneur, and agricultural loan portfolios, the company can boost its Net Interest Margin (NIM) without burdening vulnerable small business borrowers with high interest rates.

4. Expanding the Islamic Finance Wing as a Core Differentiator

- **Implication:** The conventional market is highly crowded but there is a very big gap in the market for ethical banking in Bangladesh.
- **Recommendation:** Bangladesh Finance should capitalize on its being a "first-mover" in branch-based Islamic financing. Through aggressive promotion of the Mudaraba and Ijarah

products, it can capture a niche, targeted, and loyal customer base of depositors who shun the public banks, thus creating viable alternative liquidity.

Chapter 3: Project Part

Implementation of IFRS Standards in the Bangladesh Finance PLC. Annual Report

3.1 Introduction

The use of International Financial Reporting Standards in the sector is very important for companies to be open and honest. International Financial Reporting Standards help companies show their situation in a fair and comparable way. The rules for Non-Bank Financial Institutions in Bangladesh like Bangladesh Finance PLC are complex. International Financial Reporting Standards often do not match the rules of the Bangladesh Bank and the Bangladesh Securities and Exchange Commission. This report looks at the difference between these rules by checking the Bangladesh Finance PLC Annual Report. It finds out where Bangladesh Finance PLC follows International Financial Reporting Standards and where it does not follow financial laws. The report then looks at these differences to see how the Internal Control and Compliance department works. The Internal Control and Compliance department is responsible for making sure International Financial Reporting Standards and local financial regulations work together. This helps Bangladesh Finance PLC follow the rules and operate smoothly. International Financial Reporting Standards and local financial regulations are both important for Bangladesh Finance PLC to be honest and follow the rules.

3.1.1 Background and Problem Statement

In today's world of finance financial reports should be clear, comparable and accurate. For banks and other financial institutions to gain and keep investor trust and also to ensure stability strong rules for accounting are important. The International Financial Reporting Standards, also known as IFRS, which are published by the International Accounting Standards Board or IASB are the standards that are accepted worldwide for reporting by big corporations. The Institute of Chartered Accountants of Bangladesh (ICAB) in Bangladesh has adopted these standards as Bangladesh Financial Reporting Standards (BFRS). Compliance with these standards is not only a best practice but a legal requirement for publicly listed corporations to ensure that the financial statements give a true and fair view of the economic performance of the entity.

3.1.2 Objective(s)

The main objective of this report is to assess the level of compliance with IFRS in Bangladesh Finance PLC. The specific objectives include:

- To determine the key IFRS/BFRS requirements that have to be followed for the business and financial reporting of an NBFI.
- To conduct a comparative gap analysis of the international standards with the disclosures made in the Bangladesh Finance PLC Annual Report.

- To assess the cause of non-compliance , particularly with the over-riding effect of Bangladesh Bank circulars.

3.1.3 Significance

This study is important for both purposes and for how companies are managed in the financial sector of Bangladesh. The research is helpful for the management and Internal Control and Compliance (ICC) department of Bangladesh Finance PLC. It provides an analysis of the differences between International Financial Reporting Standards (IFRS) and the rules set by Bangladesh Bank. This analysis serves as a tool for identifying areas where the company might be at risk of not following the rules. By using this tool BFP can reduce the risk of breaking the law by getting fined or having to fix mistakes. From an investors perspective this study is very important, people who deposit money and regulators. The rules for Non-Bank Financial Institutions (NBFIs) have changed, with the new Finance Companies Act 2023. Investors and depositors need to be completely sure about the health of an institution. This report explains why some international accounting standards, like value accounting under IFRS 9 are overridden by local central bank rules. It makes the financial reports of NBFIs easier to understand and better quality.

The study helps bridge the gap between accounting standards and local regulations. It provides a perspective on the financial statements of NBFIs, which is helpful for investors and depositors. The report improves understanding of NBFI statements by clarifying how international standards are applied locally. It also helps regulators ensure that NBFIs follow the rules and provide financial information.

3.1.4 Scope of the Study

The study is carefully delineated to enable a targeted, detailed and accurate gap analysis. The scope of the study is defined in the following areas:

1. The study is limited to Bangladesh Finance PLC only. The conclusions may echo those of other NBFIs in Bangladesh, but the primary data, financial reporting and insights into the operations are based only on this particular entity, including its consolidated subsidiaries and newly formed Islamic Finance arm.
2. The research is largely based on the latest financial reporting, namely, the Bangladesh Finance PLC Annual Report for the period 2024. But to analyze the financial and other changes in the context of provisioning, some secondary financial data from the past four years (2020-2023) are referred to.
3. The main emphasis of the research is on the comparative analysis of financial reporting standards. It explores the overlap between key International Financial Reporting Standards (e.g. IFRS 9: Financial Instruments, IFRS 16: Leases and IAS 1: Presentation of Financial Statements) and the rules-based circulars of Bangladesh Bank and the BSEC.

4. **Limitations:** This study is confined to publicly disclosed financial information, annual reports, and standard operating procedures in the internship period. It does not include access to highly confidential, client-based raw financial data or to Board of Directors' minutes.

3.2 Literature Review

Extant literature suggests that while IFRS adoption has immensely increased the transparency of financial reports, Bangladesh financial institutions suffer from system-specific compliance problems due to the clash between local and international rules.

1. "Regulatory Gap" and Compliance Burden Regulatory differences between IFRS and BB's directives have a profound compliance issue for banks and NBFIs in Bangladesh according to a study published in the Global Journal of Research (2025). The researchers find that financial institutions must spend an 'unnecessary' number of additional resources for workarounds to comply with their obligations to the central bank; which in turn often requires overriding the global accounting standards.

2. The issue of Asset Quality and IFRS 9 in Bangladesh Institutional report by ADB (May 2015) has described that it has got issues relating to the compliance framework that many financial institutions in Bangladesh cannot efficiently comply with the accounting standard IFRS 9 (Financial Instruments). However, accounting bodies in Bangladesh enforce different guidelines for NPL (Non-performing Loans) recognition compared to 90-day rule for ECL (Expected Credit Loss) in IFRS 9 which has an inconsistency between balance sheets.

3. Impact on Corporate Financial Reporting Quality A study published in PSTU Journal (2023) discussed that disclosure of thorough IFRS in commercial financial institutions of Bangladesh has positive impact on financial credibility of the institution. Also, it pointed out that real-world compliance is impeded by ambiguities arising from conflicting regulations from both Bangladesh Bank (BB) and Bangladesh Securities and Exchange Commission (BSEC) and 'resistance for change' within domestic managerial practice.

3.3 Methodology

1. Research Design and Analytical Approach A descriptive and analytical research approach will be used to study the reporting structure of the organization. By utilizing qualitative and quantitative methods, the study is not limited to defining the accounting standards but would critically evaluate its adoption, adaptation, and substitution of international accounting standards for complying with local regulatory bodies. This research design enables an in-depth examination of the compliance environment of the firm.

2. Primary Data Collection and Operational Insights The data utilized here will predominantly be derived from my personal observations while undertaking internship in Bangladesh Finance PLC, ICC division. A qualitative approach had been used for structured interviews of mid to top level Executives from Finance and Compliance divisions. These interview sessions will be useful for an internal perspective on internal procedures used for financial reporting and the compliance issues involved in adherence to regulatory guidelines, and the decisions for aligning IFRS with BB's circulars.

3. Secondary Data Sources and Regulatory Cross-Referencing A wide range of secondary data sources was utilized for this robust gap analysis. The report will be the recently audited Annual statements of Bangladesh Finance PLC. This report as well as additional notes in the financial statements will be closely compared with set of reference documents which would include the actual International Financial Reporting Standards as per ICAB's pronouncements; relevant enforcement circulars of BB regarding DFIM and that from BSEC regarding corporate governance.

3.4 Findings and Analysis

3.4.1 Status of IFRS compliance at Bangladesh Finance PLC As a strictly regulated NBFI, Bangladesh Finance PLC operates in a dual reporting structure. It is an overall finding of this study that the official adoption of IFRS as pronounced by the Institute of Chartered Accountants of Bangladesh (ICAB) may be adhered to but the final interpretation, accounting measurement and presentation of the organization's financial position are dominated by the overriding rules of Bangladesh Bank and BSEC.

3.4.2 Categorization of Accounting Standards Based on the thorough compliance mapping conducted during the internship, the applicability of the IAS/IFRS standards at Bangladesh Finance can be categorized into three distinct groups:

1. Standards Not Applicable (N/A) to the NBFI Business Model: Due to the specific nature of financial intermediation, several international standards are completely irrelevant to the organization's operations. Consequently, the company does not apply:

- as the company provides financial services, not physical manufacturing or extraction.

Standard Reference	Name
IAS 2	Inventories
IAS 41	*Agriculture*
IFRS 6	*Exploration of Mineral Resources*

- Also, as the company does not engage in these specific macroeconomic or insurance activities.

Standard Reference	Name
IAS 20	Government Grants
IAS 21	Foreign Exchange Rates
IAS 29	Hyper-inflationary Economics
IAS 40	Investment Property
IFRS 4	Insurance Contracts

- Complex structural not applicable based on the company's existing corporate structure and joint venture status.

Standard Reference	Name
IAS 26	Retirement Benefit Plans
IAS 28	Investments in Associates and Joint Ventures
IAS 31	Interests in Joint Ventures
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities

2. Standards Fully Applied: Bangladesh Finance fully compliance with this core standards where local regulations do not collide.

Standard Reference	Name
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Reporting Period
IAS 16	Property, Plant & Equipment’s
IAS 19	Employee Benefits
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 27	Separate Financial Statements

IAS 33	Earnings per share
IAS 34	Interim Financial Reporting
IAS 37	Provisions Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IFRS 8	Operating Segments
IFRS 10	Consolidated Financial Statements
IFRS 15	Revenue from Contracts with customers
IFRS 16	Leases

3. Standards Applied with Regulatory Overrides (The Core Gaps): This is the most critical part where Bangladesh Bank and BSEC directives explicitly override IFRS principles, creating reporting gaps among standards. These are Applied with some changes:

Standard Reference	Name
IAS 1	Presentation of Financial Statements
IAS 7	Statement of Cash Flows
IAS 12	Income Taxes
IFRS 7	Financial Instruments: Disclosures
IFRS 9	Financial Instruments

3.4.3 Key Findings: The Effect of Local Regulatory Bodies on Financial Reporting

The Gap Analysis Matrix shows that the deviations mandated by Bangladesh Bank significantly change the presentation, valuations and profitability of Bangladesh Finance PLC.

1. Deviations in Presentation (IAS 1 & IAS 7):

- **Financial Statements Structure:** IAS 1 requires a company to prepare a continuous Statement of Comprehensive Income (OCI) and to distinguish between current and non-current assets. But Bangladesh Bank DFIM Circular No. 11 insistently mandates the banking template. As a result, Bangladesh Finance does not include an OCI statement item are transferred to changes in equity, it does not separate current and non-current assets, and intangible assets are buried in the fixed assets annexure and not on the face of the balance sheet.

- **Off-Balance Sheet Items:** IFRS does not permit "off-balance sheet" line items on the primary balance sheet, but BB requires items such as letters of guarantee to be disclosed on the face of the balance sheet.
- **Cash Flows (IAS 7):** IFRS mandates cash flow statements to be prepared using either the direct or indirect method. But, as per BB templates, we prepare a combination of both. Also, BB does not allow including balances with the central bank or fixed-term deposits as "Cash Equivalents", but as investment assets.

2. The Suppression of Assets IAS 12 & IFRS 9 Investments:

- **Deferred Tax Assets IAS 12:** IAS 12 requires that temporary deductible differences such as loan provisions create a Deferred Tax Asset (DTA). But NBFIs are explicitly prohibited from recognizing a DTA on loan provisions in DFIM Circular No.7. The company must then write off the future tax benefit, thus understating its asset value.
- **Equity Valuation IFRS 9:** IFRS 9 rules that all equity investments should be valued at Fair Value. But, according to FID Circular No. 08, although quoted shares are marked to market to reflect losses, unquoted shares are valued at cost and unrealized gains are not recorded. This stops the company from reflecting on the potential higher value of the investments.

3. The Massive Impact on Asset Quality and Profitability IFRS 9 vs. BB Provisioning: The biggest financial impact found in this study is the impact on classified loans and interest income.

- **Expected Credit Loss (ECL) vs. Objective Provisioning:** IFRS 9 demands forward-looking "Expected Credit Losses" (ECL) model to provision bad loans. This is completely overridden by the Bangladesh Bank with inflexible percentage charges, based on a calendar DFIM Circular No. 04, which requires provisioning from 0.25% for performing loans to 100% for bad/loss. The Effect: This regulatory conservatism required the Company to charge BDT 6,991.00 million as additional provision in the separate financial statements for 2024, bringing the total provision to a mammoth BDT 8,830.68 million (Consolidated). This one regulatory override is the main driver of the (very) large net losses in the current year.
- **Interest Suspense IFRS 9:** IFRS allows interest income on impaired loans to be recognized with revised carrying amount. BB rules don't allow interest income recognition on Special Mention Accounts (SMA) and worse. The Effect: Instead of being booked as revenue, BDT 1,956.59 million was instead put into a liability account called "Interest Suspense" by the end of 2024.

3.4.4 Deep Analytical Commentary: Transparency vs. Systemic Survival

A broader philosophical perspective on these findings suggests a conflict between IASB and central bank of Bangladesh.

The IFRS Philosophy (Fair Value and Transparency): IFRS are designed for an international audience. In principle it seeks to measure at the fair value an entity at a particular point of time. If the value of an investment has risen IFRS wants to record it. If a loan is deemed to likely be defaulted in light of complex statistical analysis, IFRS wants it provided for.

The Bangladesh Bank Philosophy (Extreme Conservatism): Bangladesh Bank's role as manager of systemic risk means that the institution is not interested in theoretical accounting but rather in continuing business. It is incredibly conservative. In the DFIM circulars discussed throughout this report, BB repeatedly stops Bangladesh Finance from recognizing gains in unrealized profit, forbids Bangladesh Finance from recognizing a Deferred Tax Asset with respect to bad loans, stops the recognition of interest on bad loans, and mandates stringent cash provisions on its loan portfolio.

The Final Analysis: The key insight from this gap analysis is that, in reality, the financial statements of Bangladesh Finance PLC do not reflect a pure IFRS economic reality but a regulatory reality. This regulation forces the NBFI to embed "built in" values which understate the assets and over-state the liabilities. This, while creating a situation where the firm reports horrible short-term profitability such as the loss of equity in 2024, also creates enormous "hidden assets" such as the BDT 1.95 billion in interest suspense.

3.5 Summary and Conclusions

3.5.1 Summary of the Study

The purpose of this internship report is to have an in-depth look at the financial reporting regime of Bangladesh Finance PLC and more importantly at the overlaps, or rather at the conflict that exits between International Financial Reporting Standards (IFRS) and the rules issued by domestic authorities. An analysis of the 2024 Integrated Annual Report to determine the extent of compliance by Bangladesh Finance PLC from an internal control and compliance point of view shows that it operates a one-and-one compliance regime, and that the reporting presentation of Bangladesh Finance PLC although conforming with IFRS and IAS as per the directions of Institute of Chartered Accountants of Bangladesh is highly constricted by the statutory directives of Bangladesh Bank (BB) and the Bangladesh Securities and Exchange Commission (BSEC). The gap matrix classifies the company's compliance in three levels, those non-applicable due to the nature of business, those entirely compliant without regulatory overreach and those fully compliant with substantial statutory overrides. Most notable are the departures from IFRS presentation and value of assets, and in risk provisioning. Under IAS 1 and IAS 7 the Central Bank forces the company to discard the OCI statement, disallows current/non-current asset presentation, and uses a hybrid methodology for cash flow preparation. Most strikingly, in the valuation of assets, local regulation prevails over international standards. For example, DFIM Circular No. 7 overrules IAS 12 on the subject of non-recognition of DTAs on provision of loans. But the most impact on profit from financial perspective has come about from the discrepancy between IFRS 9 (Financial Instruments) and Bangladesh Bank provision regulations where instead of following a forward-looking expected credit loss method, a historical based provisioning rule is imposed and the accrued interest income is booked in an 'interest suspense' account rather than in the income statement.

3.5.2 Conclusion

This in-depth gap analysis highlighted throughout this report has unveiled a fundamental truth in respect of the Bangladesh financial landscape: the variations in financial statements do not stem from accounting errors by companies but from the policy makers in macroeconomic perspective. The philosophical argument illustrated by this report lies between the quest of the International Accounting Standards Board for true fair value information disclosures against that of Bangladesh Bank for system survival and optimal conservatism. While trying to trump the International Financial Reporting Standards (IFRS) based regulations, Bangladesh Bank forces organizations like Bangladesh Finance PLC to understate its assets and over-depreciate its liabilities. Such excessive conservatism can clearly be noticed in the 2024 Annual Report which discloses an astonishing BDT 8,830.68 million accumulated provision and BDT 1,956.59 million interest suspense. Excessive conservatism in terms of both shareholders equity and short-term earnings is curtailed by such approach; however, it provides a hidden treasury that could potentially save further market crashes. The most important task of the ICC department in this case would be to manage such contradiction. Bangladesh Finance PLC's financial management team would have to act as a translator who, despite being fluent with all the International Financial Reporting Standards (IFRS) regulations and economic truths, has to conform to the ultra-conservative norms dictated by domestic regulators. In order to gain a comparative advantage in this crisis in the NBFI sector in terms of liquidities and directives under the Finance Companies Act 2023, seamless reconciliation of two contradictory accounting standards would be imperative.

3.6 Recommendations/Implications

The above detailed look into the differences between IFRS & BB circulars of Bangladesh Finance PLC in the FY 24 Annual Report will have some consequences. Given the statutory provisions and resulting depletion in equity, agility will be the only way. Following are some recommendations and consequences of operating in this environment:

1. Implementation of Automated Dual-Reporting Systems

- **At** present, the Finance and Internal Control and Compliance (ICC) departments spend countless hours trying to manually adjust the IFRS presentation with the strict format set by DFIM Circular No. 11.
- **Recommendation:** An Automated dual reporting should be introduced by Bangladesh Finance within its FinUltimus Core Banking solution. This will generate two ledgers; one with financials strictly adhering to IFRS which will be used for the internal management & international analysis of foreign investors; second set of financial reports which would be in line with the requirements of Bangladesh Bank.

2. Internal Adoption of IFRS 9 Expected Credit Loss Models

- **Implication:** The mandatory provisioning in Bangladesh Bank based on tenor (0.25% to 100%) supersedes the IFRS 9 ECL model which is driven by future outlook. This ensures compliance but hides the real time economic risk profile of the portfolio from the management.
- **Recommendation:** Even though the ECL risk modeling framework cannot be used as the balance sheet as of the year-end to satisfy statutory requirements, the Credit Risk Management function of Bangladesh Finance should embrace it. The ECL model's background processing should be used for pricing interest rates for loans, forecasting default probability of loan portfolios based on external factors such as inflation and proactively intervene on distressed accounts much before the mandatory time comes for the central bank to demand provisions.

3. Strategic Capital Restructuring and Recovery Initiatives

- **Implication:** Bangladesh Finance was forced to make a cumulative provision of BDT 8,830.68 million in 2024 due to the central bank's excessive conservatism, leading to a huge net loss and negative equity.
- **Recommendation:** Management needs to focus on capital restructuring to regain solvency. This includes ramping up the work of the Special Asset Management (SAM) unit to recover bad loans. This will allow the bank to turn around those enormous provisions to profitability. At the same time, the bank should consider issuing subordinated corporate bonds or rights shares to increase its tier-2 capital, which will help the bank to recapture a positive Net Asset Value (NAV) and re-ignite investor confidence.

4. Proactive Industry Advocacy for Regulatory Harmonization

- **Implication:** The conflict between IFRS such as the non-recognition of Deferred Tax Assets on loan provisions under DFIM Circular No. 7 depresses the asset value of NBFIs.
- **Recommendation:** Bangladesh Finance should not operate in isolation. It should formally collaborate with the Bangladesh Leasing & Finance Companies Association (BLFCA) and the Institute of Chartered Accountants of Bangladesh (ICAB) and appeal to the Bangladesh Bank for eventual harmonization of its directives with IFRS - maybe with reference to gradually accepting Deferred Tax Assets which can ease the tax burden on struggling financial institutions.

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Appendix A.

Report Proposal:

1. Problem Statement, Research Questions, and Objectives

Problem Statement: Bangladesh Finance PLC has to go through a complicated regulatory environment. The entity is required to prepare its financial statements as per the International Financial Reporting Standards (IFRS), which are locally adopted as Bangladesh Financial Reporting Standards (BFRS). However, as a non-bank financial institution (NBFI), it must also strictly follow the mandatory reporting formats and provisioning guidelines prescribed by Bangladesh Bank and also by the Bangladesh Securities and Exchange Commission (BSEC). This dual requirement often means structural and reporting complications. This report is aimed at examining the actual implementation of IFRS in the Integrated Annual Report of the company, identifying the challenges faced in implementing the standard in practice, assessing the level of compliance, and reporting the gaps that arise from regulatory conflicting directives.

Objectives of the Study:

- **Primary Objective:** To evaluate how much the Bangladesh Finance PLC Annual Report complies with and implements IFRS standards.
- **Secondary Objectives:**
    - To identify and analyse specific gaps in financial reporting between the global standards and local regulatory frameworks.
    - To understand the functional mechanisms used by the ICC team to facilitate the number one financial reporting and compliance.

2. Background Information and Preliminary Literature Review

The global implementation of International Financial Reporting Standards has been driven by a common need for greater transparency, reliability, and comparability of financial statements across national boundaries. In Bangladesh, these standards are followed by the Institute of Chartered Accountants of Bangladesh (ICAB), while the financial sector, especially Non-bank Financial Institutions (NBFIs) continue to be under the strict supervision of Bangladesh Bank under the Financial Institutions Act of 1993.

Preliminary examination of the existing literature and observations from industry indicate that there is a constant mismatch between the principles of standard accounting and the conservative regulatory systems of central banking institutions. An example of this could be that while IFRS requires the application of fair-value measurement and calculation of forward-looking expected credit loss, the central bank's directives often prescribe explicit and rule-based provisions for classified loans and enforce uniform presentation formats.

A detailed analysis of how a leading institution like Bangladesh Finance PLC settled these differentiators within their annual published report is the need to assess the level of transparency and reliability which characterizes the NBFI business in Bangladesh.

3. Preliminary Methodology

This study will utilize a descriptive and analytical research design, employing both qualitative and quantitative approaches.

- **Primary Data Sources:** Practical observations in my current internship under the ICC department in Bangladesh Finance PLC will include the insights collected from structured discussions with the professionals from the Finance & Compliance teams on the development process of the financial statements.
- **Secondary Data Sources:** The main document of analysis will be the recently audited Integrated Annual Report of Bangladesh Finance PLC. This will get cross-referenced with the official IFRS framework publications, Bangladesh Bank (DFIM) circulars, BSEC guidelines, and relevant academic journals.

4. Significance of the Issue

A systematic evaluation of the adherence of International Financial Reporting Standards (IFRS) of Bangladesh Finance is a way beyond theorizing and has a real effect within the enterprise, regulatory bodies, and the financial market at large. The significance of the study can be defined along four major dimensions:

- **For Bangladesh Finance PLC (Company Level):** For Bangladesh Finance PLC, from being a leading Non-Bank Financial Institution (NBFI) in the industry, the company has an obligation towards issuing an Integrated Annual Report which is both precisely accurate and fully compliant to legal requirements. The present investigation constitutes a methodological "health check" on this report. By carefully identifying the discrepancies between globally prescribed norms of international financial reporting (IFRS) and local accounting practices, the research prepares the company to identify the areas where it has deficiencies and, thus, increase its financial transparency.

- **For the Internal Control and Compliance (ICC) Department (Operational Level):** The Internal Control and Compliance department forms the principal defence mechanism against financial misreporting. The insights that can be derived can help the department streamline internal audit processes and enhance its method of constructing financial statements.

- **For Investors and Shareholders (Market Level):** Implicitly, the Investors and Shareholders who make investments in Bangladesh Finance depend upon the Annual Report to assess the true financial condition of the firm. Proper IFRS implementation ensures that not only are reported figures in line with the law, but they are also true and similar across the industry. This research provides evidence of whether investors have a reliable base of information on which to make informed investment decisions.

- **Academic Value (Bridging Theory and Practice):** Finance programs of universities teach the rigorous, textbook requirements of IFRS. But the real corporate activity is determined by complex regulatory bodies. The study is academically significant, as it places abstract principles of accounting into a functioning Bangladeshi financial institution and thus shows the appropriation of global accounting standards to local legal realities.

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5. Timeline of the Report Work

- **Week 6 (01.03.26) -** Receive feedback and finalise project proposal

- **Week 11 (19.04.26) -** Submit 1 st draft of the report (all three chapters) to supervisor and receive

- **Week 12 (26.04.26) -** Submit the 2nd draft of the report (all three chapters) to the supervisor and receive feedback.

- **Week 14 (03.05.2026) -** Submit the Final Report (all three chapters) to the supervisor and the library, and receive a Similarity Index Report from the library.

- **Week 15 (10.05.26)-** Defend/Present report

Financial Data's:

Financial Highlights

Financial Performance

*Taka in million

	2020	2021	2022	2023	2024
Investment in Subsidiary	850	850	850	850	850
Provision Against Investment	427	667	678	1663	8364
Total Assets	17,016	18,473	19,132	20,250	20,864
Loans, Leases and Advances	12,873	13,692	14,006	14,597	14,685
Total Deposits	8,616	9,569	9,797	8,879	8,637
Financing (Borrowings)	3,064	2,847	3,145	5,172	4,718

Operational Performance

*Taka in million

	2020	2021	2022	2023	2024
Operating Revenue	1,909	2,137	1,927	1,375	1,102
Financial Expenses	1,194	1,001	1,029	1,081	1,534
Operating Expenses	231	297	379	360	354
Operating Profit	485	839	518	-66	-786
Profit Before Taxation	451	523	313	-1,046	-8,633
Net Profit After Tax	315	324	305	-1,042	-7,938

Financial Ratios

	2020	2021	2022	2023	2024
Average Effective Tax Rate (%)	30.27%	38.14%	2.76%	0.38%	8.05%
Return on Equity	10.97%	10.55%	9.49%	-38.28%	-455.38%
Return on Assets	1.84%	1.82%	1.62%	-5.29%	-38.61%
Rate of Dividend	12.00%	12.00%	10.00%	0.00%	0.00%
EPS (BDT)	1.69	1.36	1.25	-5.60	-41.61
Price Earning Ratio (Times)	17.17	40.02	35.17	-7.88	-0.28

Equity Statistics

*Taka in million

	2020	2021	2022	2023	2024
Authorized Capital	2,000	6,000	6,000	6,000	6,000
Number of Shares	168	178	188	188	188
Year-End Market Price Per Share (BDT)	29.10	54.40	44.10	44.10	11.80
Shareholders Equity	2,992	3,148	3,277	2,170	-5,656
Market Capitalization	4,875	9,660	8,301	8,301	2,221
Net Asset Value Per Share	16.85	16.72	17.41	11.53	-30.05

Credit Rating

	2020	2021	2022	2023	2024
Long Term	AA-	AA-	AA	AA	AA
Short Term	ST-2	ST-2	ST-1	ST-1	ST-1