

Arab Bangladesh Bank Limited
BCIC Bhaban
30-31 Dilkusha Commercial Area
Dhaka 1000

Arab Bangladesh Bank Limited

Auditors' report and financial statements
for the year ended 31 December 2005

S. F. AHMED & CO

Chartered Accountants

House 25, Road 13A, Block D

Banani, Dhaka 1213, Bangladesh

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Auditors' report to the shareholders of Arab Bangladesh Bank Limited

We have audited the accompanying financial statements of Arab Bangladesh Bank Limited, ("the Bank"), namely, Balance Sheet as of 31 December 2005 and the related Profit and Loss Statement, Cash Flow Statement, Statement of Changes in Equity, Statement of Liquidity Analysis and notes thereto for the year ended on that date. Preparation of these financial statements and notes thereto is the responsibility of the Bank's management. Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

Accordingly, in our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards, give a true and fair view of the state of affairs of the Bank as of 31 December 2005 and of the results of its operations and its cash flows for the year then ended and comply with the Companies Act 1994, the Banking Companies Act 1991, the rules and regulations issued by the Bangladesh Bank and other applicable laws and regulations.

We further report that:

- (i) we have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit, and made due verification thereof and found them satisfactory;
- (ii) in our opinion, proper books of account as required by law were kept by the Bank so far as it appeared from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches;
- (iii) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (iv) the Balance Sheet, Profit and Loss Statement, Cash Flow Statement, Statement of Changes in Equity and Statement of Liquidity Analysis of the Bank dealt with by this report are in agreement with the books of account maintained by the Bank;
- (v) the financial statements have been drawn up in conformity with the Banking Companies Act 1991 and in accordance with the accounting rules and regulations issued by Bangladesh Bank and the financial statements conform to the prescribed standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- (vi) the financial position of the Bank at 31 December 2005 and the profit for the year then ended have been properly reflected in the financial statements, and the financial statements have been prepared in accordance with generally accepted accounting principles;
- (vii) adequate provisions have been made for advances and other assets which are, in our opinion, doubtful of recovery;
- (viii) the expenditures incurred during the year were for the purposes of the business of the Bank; and
- (ix) 80% of the risk-weighted assets have been reviewed by us.

Arab Bangladesh Bank Limited

Balance Sheet at 31 December 2005

		Amounts in Taka	
		At	At
		31 Dec 2005	31 Dec 2004
PROPERTY AND ASSETS			
Cash	3	1,935,415,308	2,910,258,213
In hand (including foreign currencies)	3.1	447,609,426	424,564,899
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	3.2	1,487,805,882	2,485,693,314
Balance with other banks and financial institutions	4	540,799,380	994,140,941
In Bangladesh	4.1	58,756,465	15,815,086
Outside Bangladesh	4.2	482,042,915	978,325,855
Money at call and on short notice	5	389,841,183	437,497,085
Investments	6	4,060,946,942	6,738,151,765
Government		3,275,356,000	6,379,123,400
Others		785,590,942	359,028,365
Loans and advances		21,384,633,900	17,008,497,469
Loans, cash credits, overdrafts, etc	7	20,494,759,758	16,567,561,650
Bills purchased and discounted	8	889,874,142	440,935,819
Fixed assets including premises, furniture and fixtures	9	370,056,970	276,665,125
Other assets	10	4,383,708,872	4,148,268,828
Non-banking assets		-	-
Total Assets		33,065,402,555	32,513,479,426
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions, and agents	11	1,910,530,448	761,463,419
Deposits and other accounts	12	27,361,442,154	28,299,226,744
Current deposits		3,438,832,415	3,418,474,830
Other demand deposits		1,389,662,491	1,120,874,616
Bills payable		545,669,598	573,560,403
Savings bank deposits		6,949,853,081	6,343,878,618
Short term deposits		2,258,788,337	2,070,763,039
Fixed deposits		12,127,312,542	13,802,702,710
Bearer certificates of deposit		127,493,553	126,412,684
Other deposits		523,830,137	842,559,843
Other liabilities	13	2,266,550,116	2,209,212,488
Total Liabilities		31,538,522,718	31,269,902,651
Capital/ Shareholders' Equity			
Paid-up capital	14	519,763,600	495,012,900
Statutory reserve	15	650,203,611	556,311,769
Other reserve	16	176,127,054	67,678,720
Retained earnings	17	180,785,572	124,573,386
Total Shareholders' Equity		1,526,879,837	1,243,576,775
Total Liabilities and Shareholders' Equity		33,065,402,555	32,513,479,426

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

for Arab Bangladesh Bank Limited

Faisal M Khan
Chairman

Sajedur Seraj
Vice Chairman

Syed Golam Kibria
Director

Kaiser A. Chowdhury
Managing Director

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 27 April 2006

S. F. AHMED & CO
Chartered Accountants

Arab Bangladesh Bank Limited

Off-Balance Sheet items at 31 December 2005

	Notes	Amounts in Taka	
		At	At
		31 Dec 2005	31 Dec 2004
Contingent liabilities	18		
Acceptances and endorsements		1,917,587,425	1,729,246,591
Letters of guarantee	18.1	2,798,201,975	3,619,932,664
Irrevocable letters of credit		3,583,469,507	4,494,497,273
Bills for collection		2,012,260,027	1,290,538,229
Other contingent liabilities	18.2	4,215,536,901	4,221,697,194
		14,527,055,835	15,355,911,951
Other commitments	19		
Documentary credits and short term trade-related transactions		-	-
Forward assets purchase and forward deposits placed		-	-
Spot and forward foreign exchange contracts		135,462,343	358,986,993
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
		135,462,343	358,986,993
Total off-Balance Sheet items including contingent liabilities		14,662,518,178	15,714,898,944

Arab Bangladesh Bank Limited

Profit and Loss Statement for the year ended 31 December 2005

	Notes	Amounts in Taka	
		Year ended 31 Dec 2005	Year ended 31 Dec 2004
OPERATING INCOME			
Interest income	20	2,262,947,768	2,051,741,482
Interest paid on deposits, borrowings, etc	21	(1,571,542,000)	(1,540,836,908)
Net interest income		691,405,768	510,904,574
Investment income	22	317,472,805	408,397,598
Commission, exchange and brokerage	23	486,441,224	436,425,432
Other income	24	82,178,472	104,629,887
		886,092,501	949,452,917
Total operating income (a)		1,577,498,269	1,460,357,491
OPERATING EXPENSES			
Salary and allowances	25	466,373,810	417,050,639
Rent, taxes, insurance, electricity, etc	26	142,943,673	158,053,602
Legal expenses	27	769,621	646,267
Postage, stamps, telecommunication, etc	28	28,528,866	30,048,192
Stationery, printing, advertisement, etc	29	23,404,603	19,637,226
Chief executive's salary and fees		4,691,609	2,900,000
Directors' fees	30	977,171	1,154,382
Auditors' fees	31	445,250	255,000
Charges on loan losses		-	307,655,000
Depreciation and repair of Bank's assets	32	53,051,297	51,837,050
Other expenses	33	101,284,907	111,053,534
Total operating expenses (b)		822,470,807	1,100,290,892
Profit before provision (c = a-b)		755,027,462	360,066,599
Provision against loans and advances	34	212,111,511	170,000,000
Provision for diminution in value of investments	35	-	-
Other provision	36	135,462,343	-
Total provision (d)		347,573,854	170,000,000
Total profit before taxation (c-d)		407,453,608	190,066,599
Provision for taxation	2.13	245,000,000	100,000,000
Net profit after taxation		162,453,608	90,066,599
Appropriations	37		
Statutory reserve		81,490,722	38,013,320
General reserve		-	-
Dividends, etc		-	-
		81,490,722	38,013,320
Retained surplus		80,962,886	52,053,279
Earnings per share (EPS)	38	31.26	18.19

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

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Cash Flow Statement for the year ended 31 December 2005

		Amounts in Taka	
		Year ended	Year ended
Notes		31 Dec 2005	31 Dec 2004
Cash Flows from Operating Activities			
	Interest receipts	2,262,947,768	2,051,741,482
	Interest payments	(1,571,542,000)	(1,540,836,908)
	Dividend received	21,502,450	12,019,183
	Fee and commission receipts	474,132,841	360,567,648
	Recoveries on loans previously written off	15,808,774	-
	Payments to employees	(461,065,419)	(397,950,639)
	Payments to suppliers	(54,137,259)	(64,968,218)
	Income taxes paid	(105,637,717)	(24,855,509)
39	Receipts from other operating activities	374,648,436	536,644,185
40	Payments for other operating activities	(297,268,130)	(619,150,134)
	Operating profit before changes in operating assets and liabilities	659,389,745	313,211,090
Increase/decrease in operating assets and liabilities			
	Loans and advances to customers	(4,376,136,431)	3,426,743,642
41	Other assets	(154,657,835)	(305,874,818)
	Deposits from other banks	126,259,132	(688,251,987)
	Deposits from customers	(1,064,043,722)	1,727,314,258
	Trading liabilities (short term borrowings)	830,000,000	100,000,000
42	Other liabilities	(348,323,729)	(1,813,829,783)
		(4,986,902,584)	2,446,101,312
	Net cash from / (used in) operating activities (a)	(4,327,512,841)	2,759,312,402
Cash Flows from Investing Activities:			
	Purchase/sale of government securities	3,105,000,000	(3,476,088,100)
	Purchase/sale of trading securities, shares, bonds, etc	(426,562,577)	73,803,649
	Purchase/sale of property, plant and equipment	(24,599,378)	(14,940,133)
	Net cash from/(used in) investing activities (b)	2,653,838,045	(3,417,224,584)
Cash Flows from Financing Activities:			
	Increase/(decrease) of long term borrowings	199,067,028	(19,572,573)
	Dividend paid	-	-
	Net cash from financing activities (c)	199,067,028	(19,572,573)
	Net decrease in cash (a+b+c)	(1,474,607,768)	(677,484,755)
	Effects of exchange rate changes on cash and cash equivalents	-	-
	Cash and cash equivalents at beginning of year	4,345,724,639	5,023,209,394
	Cash and cash equivalents at end of year (*)	2,871,116,871	4,345,724,639
(*) Cash and cash equivalents:			
	Cash	447,609,426	424,564,899
	Prize bonds	5,061,000	3,828,400
	Money at call and on short notice	389,841,183	437,497,085
	Balance with Bangladesh Bank and its agent bank(s)	1,487,805,882	2,485,693,314
	Balance with other banks and financial institutions	540,799,380	994,140,941
		2,871,116,871	4,345,724,639

for Arab Bangladesh Bank Limited

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Statement of Changes in Equity for the year ended 31 December 2005

Amounts in Taka

Particulars	Paid-up capital	Statutory reserve	Other reserve	Retained earnings	Total
Balance at 01 January 2005	495,012,900	556,311,769	67,678,720	124,573,386	1,243,576,775
Effects of changes in accounting policy	-	-	-	-	-
Restated balance	495,012,900	556,311,769	67,678,720	124,573,386	1,243,576,775
Surplus/deficit on account of revaluation of properties	-	-	108,049,485	-	108,049,485
Surplus/deficit on account of revaluation of investments	-	-	-	-	-
Currency translation differences	-	-	-	-	-
Net gains and losses not recognised in the Profit and Loss Statement	-	-	-	-	-
Net profit after taxation for the year	-	-	-	162,453,608	162,453,608
Transfer to statutory reserve					
In Bangladesh	-	81,490,722	-	(81,490,722)	-
Outside Bangladesh - Mumbai, ABBL	-	12,401,120	-	-	12,401,120
Transfer to general and other reserve					
In Bangladesh	-	-	-	-	-
Outside Bangladesh - Mumbai, ABBL	-	-	-	-	-
Addition to investment fluctuation reserve	-	-	398,849	-	398,849
Dividends (5% bonus share 2004)	24,750,700	-	-	(24,750,700)	-
Issue of share capital	-	-	-	-	-
Balance at 31 December 2005	519,763,600	650,203,611	176,127,054	180,785,572	1,526,879,837

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Statement of Liquidity Analysis (Maturity of Assets and Liabilities) at 31 December 2005

Amounts in Taka

Particulars	Up to 1 month maturity	1-3 months maturity	3-12 months maturity	1-5 years maturity	More than 5 years maturity	Total
Assets						
Cash in hand and with banks	447,609,426	1,487,805,882	-	-	-	1,935,415,308
Balance with other banks and financial institutions	482,425,536	58,373,844	-	-	-	540,799,381
Money at call and on short notice	339,841,183	50,000,000	-	-	-	389,841,183
Investments	5,061,000	425,102,370	1,359,199,672	2,221,583,900	50,000,000	4,060,946,942
Loans and advances	952,227,311	2,852,577,391	11,153,723,127	5,563,862,072	862,244,000	21,384,633,901
premises, furniture and fixtures	2,341,167	7,096,071	23,417,034	141,921,420	195,281,278	370,056,970
Other assets	322,153,177	570,671,341	2,529,450,316	961,434,037	-	4,383,708,870
Non-banking assets	-	-	-	-	-	-
Total Assets	2,551,658,800	5,451,626,899	15,065,790,149	8,888,801,428	1,107,525,278	33,065,402,555
Liabilities						
Borrowings from Bangladesh Bank, other banks, financial institutions, and agents	1,305,565,110	557,000,000	22,033,898	25,931,440	-	1,910,530,448
Deposits and other accounts	1,892,259,961	5,294,605,673	13,788,570,677	6,386,005,843	-	27,361,442,154
Provision and other liabilities	217,343,352	430,209,595	362,201,009	1,256,796,161	-	2,266,550,117
Total Liabilities	3,415,168,423	6,281,815,268	14,172,805,584	7,668,733,444	-	31,538,522,718
Excess/(Shortage)	(863,509,622)	(830,188,368)	892,984,565	1,220,067,984	1,107,525,278	1,526,879,837

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Arab Bangladesh Bank Limited

Notes to financial statements for the year ended 31 December 2005

1. The Bank and its activities

Arab-Bangladesh Bank Limited (hereinafter referred to as ABBL, or the Bank) is one of the first generation private commercial banks (PCBs), incorporated in Bangladesh on 31 December 1981 as a public limited company under the Companies Act 1913, subsequently replaced by The Companies Act 1994, and governed by The Banking Companies Act 1991. The Bank went for public issue of its shares on 28 December 1983 and its shares are listed with Dhaka Stock Exchange and Chittagong Stock Exchange for trading. ABBL has 66 branches all over Bangladesh including 1 Islami Banking branch, 1 overseas branch at Mumbai, India and 2 representative offices each in London and Myanmar. The Bank has a subsidiary company, AB International Finance Ltd, incorporated in Hong Kong. It carries out all kinds of commercial banking activities/services through its branches and has expanded its investment oriented service horizon to its customers through Merchant Banking Wing. The Bank obtained permission to embark upon Merchant Banking from Securities and Exchange Commission vide its certificate no. MB-1.02/2001-30 dated 15 May 2001 under the Securities

and Exchange Commission Act 1993. ABBL started Islami banking through its Dilkusha Islami Banking branch, Dhaka from 21 December 2004 with the permission of Bangladesh Bank (central bank) vide letter no. BRPD (P) 745 (12)/2004-2702 dated 08 July 2004.

2. Significant Accounting Policies

2.1 Basis of preparation of the financial statements

The financial statements, namely, Balance Sheet, Profit and Loss Statement, Cash Flow Statement, Statement of Changes in Equity, Statement of Liquidity Analysis and relevant notes and disclosures thereto, of the Bank are prepared on a going concern basis under historical cost convention and in accordance with First Schedule of Banking Companies Act 1991, Bangladesh Bank circulars, International Accounting Standards, including those that have been so far adopted by the Institute of Chartered Accountants of Bangladesh, except Bangladesh Accounting Standard 12 "Income Taxes" where provision for deferred tax is required to be provided in the accounts which is not done as per the said standard, Companies Act 1994, Securities and Exchange Ordinance 1969, Securities and Exchange Rules 1987 and other laws and rules applicable thereto. Wherever appropriate, such principles are explained in succeeding notes.

2.2 Consolidation

A separate set of records for consolidating the statements of affairs and income and expenditure statements of the branches including Mumbai branch, India are maintained at the Head Office of the Bank in Dhaka, based on which these financial statements have been prepared.

Expenditures incurred at representative offices at Myanmar and London are incorporated as branch expenditures. The assets and liabilities of Mumbai Branch, India have been incorporated in the accounts at yearend exchange rate. Income accrued and expenditures incurred by the Mumbai branch are not incorporated in the accounts; instead, net profit earned has been shown as retained revenue under other liabilities. Such earnings are recognised as income of the Bank as and when remittance of profit is received from the branch and then grouped under the head other income.

Merchant Banking Wing

Financial statements of Merchant Banking Wing have been separately audited by separately appointed independent auditors. Assets-liabilities and income-expenditures of that wing are incorporated in similar heads of account of the Bank's financial statements.

Islami Banking Branch

Islami banking branch has maintained separate set of books and records for its operation. All assets and liabilities and income and expenditures of this branch are incorporated in similar heads of account of the Bank's financial statements. Balance sheet and income statement are shown separately in Annex B.

2.3 Foreign currency transactions

- (a) Foreign currency transactions are converted into equivalent Taka currency at the ruling exchange rates on the respective dates of such transactions.
- (b) Assets and liabilities in foreign currencies as at 31 December 2005 have been converted into Taka currency at the average of the prevailing buying and selling rates of the concerned foreign currencies at that date except "balances with other banks and financial institutions" which have been converted as per directives of Bangladesh Bank vide its circular no BRPD (R) 717/2004-959 dated 21 November 2004.
- (c) Differences arising through buying and selling transactions of foreign currencies on different dates of the year have been adjusted by debiting /crediting exchange gain or loss account.

2.4 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation.

Depreciation on fixed assets are charged using reducing balance method except motor vehicles, computers and photocopiers for which straight line method is used. The rates of depreciation are as follows:

<u>Category of assets</u>	<u>Rate of depreciation</u>
Building	2.5%
Furniture and fixtures	10%
Office appliances	20%
Electrical appliances	20%
Motor vehicles	20%

2.5 Investment

The Bank's investment in treasury bills is stated at face value added with unearned interest accrued thereon. Unearned interest is recognised as income on accrual basis and taken to Profit and Loss Statement in proportion of time elapsed.

Value of investments in Bangladesh Telegraph & Telephone Board (T&T) bonds and prize bonds has been stated at face value while investment in quoted shares has been stated at acquisition/purchase price and unquoted shares has been stated at cost price.

2.6 Loans and advances

- a) Loans and advances have been shown at gross amounts at 31 December 2005.
- b) Interest is not charged on classified loans and advances from the date of filing money suits against the borrowers.
- c) Interest charged on loans and advances classified by Bangladesh Bank Inspection Team and by the Bank management as special mention account, sub-standard, doubtful and bad are kept in interest suspense account as per Bangladesh Bank BCD circular nos. 34 dated 16 November 1989, 20 of 27 December 1994 and 12 of 04 September 1995 as amended by BRPD circular no. 16 dated 06 December 1998, 09 of 14 May 2001, BRPD circular no. 02 dated 15 February 2005 and such interest is not accounted for as income until realised from borrowers.

Arab Bangladesh Bank Limited

Notes to financial statements for the year ended 31 December 2005

- d) Provision for loans and advances is made on the basis of yearend review by the management and of instructions contained in Bangladesh Bank BCD circular no. 34 dated 16 November 1989, 20 of 27 December 1994, 12 of 4 September 1995, BRPD Circular no. 16 dated 6 December 1998, 9 of 14 May 2001, 02 of 15 February 2005, 9 of August 2005 and 17 of 6 December 2005. The classification rates are given below:

	<u>Rate (%)</u>
General provision on	
General (unclassified) loans and advances	1
Special mention account	5
Small enterprise	2
Consumer financing	5
Specific provision on	
Substandard loans and advances	20
Doubtful loans and advances	50
Bad/loss loans and advances	100

2.7 Stock of stationery

Stock of stationery has been shown under other assets and is valued at cost.

2.8 Deposits

Deposits include various types like current deposits, savings deposits, short-term deposits, fixed deposits, etc.

2.9 Recognition of income and expenditures

Income and expenditures are recognised on accrual basis. Interest income is admitted only if its realisation is reasonably certain. Investment income is accounted for on accrual basis. Income from wholly owned subsidiary company, AB International Finance Limited, is recognised on accrual basis.

2.10 Provident fund

The Bank's employees provident fund is administered by a board of trustees and is funded by contributions of both the Bank and employees at 10% of basic pay each. These contributions are invested separately.

2.11 Staff gratuity

Gratuity to the employees of the Bank is being accounted for in the books on the basis of payment at the time of severance from the service of the Bank. Provision required for gratuity to the end of the year under reporting has not been ascertained. However, the Bank has provided Taka 10,000,000 as gratuity during the year on a lump-sum basis.

2.12 Superannuation fund

The Bank operates a Superannuation Fund as death cum retirement benefit for its employees. The Fund is operated by a separate Board of Trustees of the Bank.

2.13 Provision for taxation

Provision for income tax is made on accounting income, considering taxable allowances and disallowances, at 45%.

Notes to financial statements for the year ended 31 December 2005

2.14 Reconciliation of books of account

Books of account in regard to inter-bank (in Bangladesh and outside Bangladesh) and inter-branch transactions are reconciled and no material difference was found which may affect the financial statements significantly. There exist no unreconciled revenue items in Nostro accounts as of 31 December 2005. Full provision has been made against the debit entries remains outstanding for more than three months as per Bangladesh Bank Circular No. FEPD(FEMO)/01/2005-677 issued on 13 September 2005.

2.15 Reporting period

These financial statements cover one calendar year from 01 January to 31 December 2005.

2.16 Lease rentals

Leasehold assets have been accounted for on the basis of operating leases and accordingly lease rentals have been charged to revenue.

2.17 Off-balance sheet items

Off-Balance Sheet items have been disclosed under contingent liabilities and other commitments as per Bangladesh Bank's guidelines.

2.18 Related party transactions

- a) As of Balance Sheet date, the Bank has no transaction with the related parties in respect of banking business like loans and advances, guarantees and commitments.
- b) The Bank entered into related party transactions other than banking business in respect of receiving cell phone service and rented branch premises.

2.19 Audit committee

Audit committee of the Bank constituted the following members:

Sl. No.	Name and status with the Bank	Status with the committee	Duration	Educational qualification
1	Mr. Faisal M Khan Chairman	Chairman	With effect from 12 December 2004	Graduation in Economics and International Relationship - Boston University, USA
2	Mr. Mohd. Tipu Sultan, FCA Director	Member	With effect from 25 July 2004	Chartered Accountant
3	Mr. D. S. Faisal Hyder Director	Member	With effect from 12 December 2004	MBA

Arab Bangladesh Bank Ltd

Notes to financial statements for the year ended 31 December 2005

During the year 2005, the audit committee conducted seven (07) meetings in which, among others, the following issues were reviewed and discussed :

- Comprehensive inspection report of Bangladesh Bank including status of compliance thereof;
- Inspection reports of branches/Head Office conducted by Bank's internal inspection team;
- Financial statements of the Bank;
- Half-yearly accounts for the year 2005;
- Fraudulent case of Dhanmandi branch; and
- Status of compliance of different rules and regulations.

The Committee places its reports regularly to the Board of Directors of the Bank for their review.

2.20 Number of employees

The number of employees engaged for the whole year or part thereof who received a total remuneration of Taka 36,000 or above was 1,525.

2.21 Name of Directors and the entities in which they had interest as at 31 December 2005

Sl. No.	Name	Status	Name of the firms/companies in which the director had interest as proprietor/partner/director/managing agent/guarantor, etc
1.	Mr. Faisal M Khan	Chairman	i) Pacific Industries Ltd ii) Pacific Motors Ltd iii) Pacific Traders Ltd iv) Pacific Equities Ltd v) Pacific Technologies Ltd vi) Therapeutics (BD) Ltd vii) Asia Telecom Ltd viii) Pacific Radio Ltd
2.	Mr. Sajedur Seraj	Vice Chairman	i) Elite Chemical Industries Ltd ii) Elite International Ltd iii) Elite Garment Industries Ltd iv) Hexagon Chemical Complex Ltd v) Bangladesh General Insurance Co. Ltd vi) Elite Iron and Steel Industries Ltd vii) Elite Oil Refinery Ltd viii) Octagon Fibers and Chemicals Ltd
3.	Mr. Syed Golam Kibria	Government-nominated Director	-
4.	Mr. Golam Sarwar	Director	i) Pacific Industries Ltd ii) Pacific Motors Ltd iii) Pacific Traders Ltd iv) Pacific Logistics Ltd
5.	Mr. S. M. Salahuddin	Director	-
6.	Mr. Mohd. Tipu Sultan, FCA	Director	Hyundai Motors Bangladesh Ltd
7.	Mr. D. S. Faisal Hyder	Director	Hyundai Motors Bangladesh Ltd
8.	Mr. Kaiser A. Chowdhury	Ex-officio Director	-

Arab Bangladesh Bank Limited

Notes to financial statements for the year ended 31 December 2005

Balance Sheet

Amounts in Taka

3. Cash

3.1 Cash in hand

	At 31 Dec 2005	At 31 Dec 2004
In local currency	430,754,767	413,024,803
In foreign currency	16,854,659	11,540,096
	447,609,426	424,564,899

3.2 Balance with Bangladesh Bank and its agent bank(s)

Balance with Bangladesh Bank:

In local currency	1,151,101,814	1,554,245,334
In foreign currency	210,677,337	774,258,108
	1,361,779,151	2,328,503,442

Sonali Bank

(as an agent bank of Bangladesh Bank) - local currency	126,026,731	157,189,872
	1,487,805,882	2,485,693,314
	1,935,415,308	2,910,258,213

3.3 Statutory deposits

3.3.1 Cash reserve ratio (CRR) and statutory liquidity ratio (SLR)

Cash reserve ratio and statutory liquidity ratio have been calculated and maintained in accordance with section 33 of Banking Companies Act 1991 and subsequent Bangladesh Bank BRPD circular nos.11 and 12, dated 25 August 2005.

The statutory cash reserve ratio required on the Bank's time and demand liabilities at the rate of 5% has been calculated and maintained with Bangladesh Bank in current account and 18% statutory liquidity ratio, including CRR, on the same liabilities is also maintained in the form of treasury bills, bonds and debentures including FC balance with Bangladesh Bank. Both the reserves are maintained by the Bank in excess of the statutory requirements, as shown below :

(a) Cash reserve ratio

Required reserve	1,309,790,000	1,078,600,000
Actual reserve maintained	1,444,838,000	1,489,900,000
Surplus	135,048,000	411,300,000

(b) Statutory liquid reserve

Required reserve	3,405,450,000	3,235,800,000
Actual reserve maintained	3,576,158,092	6,307,970,000
Surplus	170,708,092	3,072,170,000

Total required reserve	4,715,240,000	4,314,400,000
Total actual reserve held with Bangladesh Bank	5,020,996,092	7,797,870,000
Total surplus	305,756,092	3,483,470,000

Arab Bangladesh Bank Limited

Notes to financial statements for the year ended 31 December 2005

Amounts in Taka

4. Balance with other banks and financial institutions

In Bangladesh (note 4.1)

Outside Bangladesh (note 4.2)

4.1 In Bangladesh

Current Deposit

Agrani Bank, Principal Branch
 Islami Bank Bangladesh Limited, Local Office
 Agrani Bank, Bhairab Bazar Branch
 Agrani Bank, Laldighir Par Branch, Sylhet
 Agrani Bank, Brahmanbaria Branch
 Agrani Bank, Thana Road Branch, Bogra
 Agrani Bank, Shaheb Bazar Branch, Rajshahi

Short Term Deposit

Agrani Bank, Sir Iqbal Road Branch, Khulna
 Agrani Bank, Chawk Bazar Branch, Barisal
 Agrani Bank, Jessore Branch
 Agrani Bank, Jhikargachha Branch
 Agrani Bank, Moulvi Bazar Branch
 Agrani Bank, Laldighir Par Branch, Sylhet
 Agrani Bank, Naogaon Branch
 Agrani Bank, Court Road Branch, Narayanganj
 Agrani Bank, Rangpur Branch
 Agrani Bank, Saidpur Branch
 Agrani Bank, Satkhira Branch
 Agrani Bank, Thana Road Branch, Bogra
 Islami Bank Bangladesh Limited, Local Office
 Standard Chartered Bank, Dhaka Main Branch

Fixed Deposit (MTDR)

Shahjalal Islami Bank Limited, Foreign Exchange Branch
 Dhaka Bank Limited, Islami Banking Branch

Amounts in Taka	
At 31 Dec 2005	At 31 Dec 2004
58,756,465	15,815,086
482,042,915	978,325,855
540,799,380	994,140,941

26,080	26,300
2,727	2,727
1,579	1,579
313,330	6,559
29,283	3,357,168
9,172	2,103
450	500
Short Term Deposit	
311,198	2,455,482
106,145	-
11,127	35,565
18,834	28,446
4,310,745	3,909,810
-	301,715
3,603,524	1,540,939
3,837	1,000
4,006,818	5,373
8,218,707	3,131,092
3,717	3,808
-	7,005
52,000	-
4,727,192	997,916
Fixed Deposit (MTDR)	
30,500,000	-
2,500,000	-
58,756,465	15,815,086

4.2. Balance with other banks and financial institutions - outside Bangladesh

Name of the bank	Location	Currency	At 31 December 2005			At 31 December 2004		
			Amounts in foreign currency	Conversion rate	Amounts in Taka	Amounts in foreign currency	Conversion rate	Amounts in Taka
UFJ Bank Ltd	Tokyo	YEN	623,841	0.5617	350,410	77,041	0.5852	45,084
The Bank of Tokyo Mitsubishi Ltd	Tokyo	YEN	-	-	-	19,461,811	0.5852	11,389,052
HSBC Plc	London	UKP	251,090	113.6263	28,530,422	155,875	116.5645	18,169,528
Lloyds TSB Bank Plc	London	UKP	49,325	113.6263	5,604,592	49,731	116.5645	5,796,838
HSBC	Mumbai	ACUD	34,971	66.2100	2,315,403	148,811	60.7423	9,039,098
JP Morgan Chase Bank	New York	USD	-	-	-	6,343,781	60.7423	385,335,877
Sonali Bank	Kolkata	ACUD	13,481	66.2100	892,576	22,878	60.7423	1,389,678
Myanmar Economic Bank	Yangon	USD	410	66.2100	27,146	410	60.7423	24,904
Citibank NA	New York	USD	2,608	66.2100	172,692	9,051	60.7423	549,774
Hatton National Bank Ltd	Colombo	ACUD	29,592	66.2100	1,959,292	29,198	60.7423	1,773,546
Commerz Bank AG	Frankfurt	USD	4,041	66.2100	267,563	7,093	60.7423	430,856
State Bank of India	Kolkata	ACUD	15,725	66.2100	1,041,173	15,725	60.7423	955,192
NDLC-IFIC Bank Ltd	Karachi	ACUD	36,512	66.2100	2,417,471	37,981	60.7423	2,307,041
Lloyds TSB Bank Plc	London	USD	4,863	66.2100	321,967	5,876	60.7423	356,941
Mashreq Bank Psc	New York	USD	20,311	66.2100	1,344,767	23,880	60.7423	1,450,533
Arab Bangladesh Bank Ltd	Mumbai	ACUD	-	-	-	211,176	60.7423	12,827,323
Nepal Bangladesh Bank Ltd	Katmandu	ACUD	24,414	66.2100	1,616,451	24,414	60.7423	1,482,963
Bank of Bhutan	Phuentsholing	ACUD	49,405	66.2100	3,271,088	57,343	60.7423	3,483,148
HSBC Plc	London	USD	2,628	66.2100	173,973	-	-	-
BCCI	London	USD	6,542	66.2100	433,153	6,542	60.7423	397,383
Wachovia Bank	New York	USD	6,580	66.2100	435,678	45,539	60.7423	2,766,139
American Express Bank Ltd	New York	USD	24,634	66.2100	1,631,011	-	-	-
HSBC	New York	USD	77,621	66.2100	5,139,263	235,159	60.7423	14,284,077
Commerz Bank AG	Frankfurt	EURO	-	-	-	51,180	82.6581	4,230,458
Hypovereins Bank	Frankfurt	EURO	27,542	78.3695	2,158,434	3,504	82.6581	289,613
Reserve Bank of India (RBI)	Mumbai	INR	6,212,250	1.4682	9,120,825	6,125,950	1.3900	8,515,071
Other commercial banks in India	Mumbai	INR	49,541,811	1.4682	72,737,287	16,918,434	1.3900	23,516,623
Balance with Mumbai branch, ABBL	Mumbai	INR	78,304,234	1.4682	114,966,275	91,627,507	1.3900	127,362,235
AB International Finance Ltd	Hong Kong	USD	3,400,000	66.2100	225,114,000	5,600,000	60.7423	340,156,880
					482,042,915			978,325,855

Arab Bangladesh Bank Ltd

Notes to financial statements for the year ended 31 December 2005

	Amounts in Taka	
	At	At
	31 Dec 2005	31 Dec 2004
4.3 Account type wise		
Current deposit	482,425,535	981,722,789
Savings deposit	-	-
Short term deposit	25,373,845	12,418,151
Fixed deposits (MTDR)	33,000,000	-
	540,799,380	994,140,941
4.4 Maturity grouping of balance with other banks		
Repayable on demand	482,425,535	981,722,789
Below 3 months	58,373,845	12,418,151
Over 3 months but below 1 year	-	-
Over 1 year but below 5 years	-	-
Over 5 years	-	-
	540,799,380	994,140,941
5. Money at call and on short notice		
5.1 Banking companies		
Agrani Bank, Principal Branch	150,516	49,515
Southeast Bank Ltd, Principal Branch	49,266	40,641
Sonali Bank	200,000,000	-
Jamuna Bank Ltd	100,000,000	-
Trust Bank Ltd	-	100,000,000
	300,199,783	100,090,156
<u>Non banking financial institutions</u>		
Industrial and Infrastructure Development Finance Co. Ltd	50,000,000	-
Calls and placements - Mumbai Branch, ABBL	39,641,400	337,406,929
	389,841,183	437,497,085
5.2 Short notice		
Agrani Bank, Principal Branch	150,516	49,515
Southeast Bank Ltd, Principal Branch	49,266	40,641
	199,783	90,156
<u>Calls and placements</u>		
Sonali Bank	200,000,000	-
Industrial and Infrastructure Development Finance Co. Ltd	50,000,000	-
Jamuna Bank Ltd	100,000,000	-
Trust Bank Ltd	-	100,000,000
Calls and placements - Mumbai Branch, ABBL	39,641,400	337,406,929
	389,641,400	437,406,929
	389,841,183	437,497,085

Amounts in Taka	
At	At
31 Dec 2005	31 Dec 2004

6. Investments

6.1 Government securities

Treasury bills- at face value (*)

6 months treasury bills

1 year treasury bills

2 years treasury bills

5 years treasury bills

Debentures of Bangladesh House Building Finance Corporation
(Maturity date: 14 March 2015, interest rate 5.50%)

-	200,000,000
-	2,750,000,000
1,020,000,000	1,150,000,000
2,160,000,000	2,160,000,000
50,000,000	55,000,000
3,230,000,000	6,315,000,000

(*) Treasury bills includes unearned interest thereon and corresponding credit is shown in other liabilities.

Government bonds

Prize bonds

Treasury bonds (note 6.1.1)

5,061,000	3,828,400
40,295,000	60,295,000
45,356,000	64,123,400
3,275,356,000	6,379,123,400

Total government securities

6.2 Other investments

Shares (note 6.2.1)

614,239,816	194,101,781
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Other bonds (unquoted)

Zero coupon bond- Industrial and Infrastructure Development
Finance Company Ltd

50,000,000	50,000,000
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Investments- Mumbai Branch, ABBL

Treasury bills

Debentures and bonds

100,062,226	100,053,584
21,288,900	14,873,000
121,351,126	114,926,584

Total other investments

Total investments

785,590,942	359,028,365
4,060,946,942	6,738,151,765

6.1.1 Treasury bonds

Type	Rate of interest	Maturity date
Treasury	5%	01 March 2008
T&T	7%	02 July 2005
T&T	7%	13 March 2007

10,295,000	10,295,000
-	20,000,000
30,000,000	30,000,000
40,295,000	60,295,000

Arab Bangladesh Bank Ltd

Notes to financial statements for the year ended 31 December 2005

	Amounts in Taka	
	At	At
	31 Dec 2005	31 Dec 2004
6.2.1 Others		
In shares (quoted and unquoted)		
<u>Quoted</u>		
Eastern Bank Ltd	32,564,871	32,632,981
Lafarge Surma Cement Ltd	100,000,000	100,000,000
Bank Asia Ltd	3,549,467	480,490
JMI Bangla Company Ltd	3,960,000	3,960,000
Mercantile Bank Ltd	17,626,413	4,804,352
Renata Ltd	136,136	136,136
Square Pharmaceuticals Ltd	38,369,793	9,664,300
Square Textiles Ltd	795,911	1,490,252
Standard Bank Ltd	5,101,677	235,842
Uttara Finance and Investments Ltd	246,564	697,428
Exim Bank Ltd	40,703,688	-
Islami Bank Bangladesh Ltd	17,217,930	-
Mutual Trust Bank Ltd	14,882,355	-
NCC Bank Ltd	2,451,936	-
Prime Bank Ltd	22,094,544	-
Southeast Bank Ltd	33,265,643	-
One Bank Ltd	6,034,028	-
United Commercial Bank Ltd	10,670,506	-
Dhaka Bank Ltd	490,980	-
Uttara Bank Ltd	17,223,903	-
National Tubes Ltd	2,721,003	-
Eastern Cables Ltd	415,246	-
Padma Textile Ltd	484,385	-
Beximco Ltd	151,175,000	-
Fareast Life Insurance Co. Ltd	35,034,867	-
National Life Insurance Co. Ltd	1,760,168	-
United Leasing Company Ltd	3,075,227	-
Popular Life Insurance Co. Ltd	6,559,525	-
Meghna Life Insurance Co. Ltd	3,056,866	-
Premier Leasing Co. Ltd	1,844,660	-
Industrial Development Leasing Company of Bangladesh Ltd	278,828	-
Islamic Finance and Investment Co. Ltd	447,696	-
	574,239,816	154,101,781
<u>Unquoted</u>		
National Housing Finance and Investments Ltd	20,000,000	20,000,000
Central Depository Bangladesh Ltd	10,000,000	10,000,000
Industrial and Infrastructure Development Finance Company Ltd	10,000,000	10,000,000
	40,000,000	40,000,000
	614,239,816	194,101,781

Arab Bangladesh Bank Ltd

Notes to financial statements for the year ended 31 December 2005

Further details of investment in shares are as under:

6.2.1.1 Shares (quoted)

Particulars	Number of shares	Market price (Taka)	Market Value (Taka)	Cost (Taka)
Eastern Bank Ltd	373,420	1,216.00	454,078,720	32,564,871
Lafarge Surma Cement Ltd	1,000,000	416.00	416,000,000	100,000,000
Bank Asia Ltd	12,100	486.00	5,880,600	3,549,467
JMI Bangla Company Ltd	39,600	75.00	2,970,000	3,960,000
Mercantile Bank Ltd	59,887	394.00	23,595,478	17,626,413
Renata Ltd	276	3,000.00	828,000	136,136
Square Pharmaceuticals Ltd	15,120	2,442.25	36,926,820	38,369,793
Square Textiles Ltd	24,705	82.00	2,025,810	795,911
Standard Bank Ltd	17,440	341.50	5,955,760	5,101,677
Uttara Finance and Investments Ltd	700	688.00	481,600	246,564
Exim Bank Ltd	89,700	509.50	45,702,150	40,703,688
Islami Bank Bangladesh Ltd	3,877	4,500.00	17,446,500	17,217,930
Mutual Trust Bank Ltd	38,640	440.00	17,001,600	14,882,355
NCC Bank Ltd	8,075	312.50	2,523,438	2,451,936
Prime Bank Ltd	37,110	679.00	25,197,690	22,094,544
Southeast Bank Ltd	64,800	560.25	36,304,200	33,265,643
One Bank Ltd	21,250	292.75	6,220,938	6,034,028
United Commercial Bank Ltd	11,530	1,140.00	13,144,200	10,670,506
Dhaka Bank Ltd	1,000	468.75	468,750	490,980
Uttara Bank Ltd	6,495	2,791.00	18,127,545	17,223,903
National Tubes Ltd	1,560	1,482.00	2,311,920	2,721,003
Eastern Cables Ltd	1,790	208.50	373,215	415,246
Padma Textile Ltd	19,200	21.90	420,480	484,385
Beximco Ltd	2,700,000	43.20	116,640,000	151,175,000
Fareast Life Insurance Co. Ltd	42,350	766.00	32,440,100	35,034,867
National Life Insurance Co. Ltd	1,315	1,245.00	1,637,175	1,760,168
United Leasing Company Ltd	3,320	860.00	2,855,200	3,075,227
Popular Life Insurance Co. Ltd	9,500	745.50	7,082,250	6,559,525
Meghna Life Insurance Co. Ltd	5,800	440.00	2,552,000	3,056,866
Premier Leasing Co. Ltd	6,000	286.50	1,719,000	1,844,660
Industrial Development Leasing Company of Bangladesh Ltd	280	1,009.75	282,730	278,828
Islamic Finance and Investment Co. Ltd	1,400	306.75	429,450	447,696
			<u>1,299,623,318</u>	<u>574,239,816</u>

6.2.1.2 Shares (unquoted)

Particulars	Number of shares	Face value (Taka)	Book value/Cost (Taka)
National Housing Finance and Investments Ltd	200,000	100	20,000,000
Central Depository Bangladesh Ltd	10	1,000,000	10,000,000
Industrial and Infrastructure Development Finance Company Ltd	138,000	100	10,000,000
			<u>40,000,000</u>
Amounts in Taka			
		At	At
		31 Dec 2005	31 Dec 2004

6.3 Maturity grouping

Repayable on demand	5,061,000	203,828,400
Below 3 months	425,102,370	568,974,781
Over 3 months but below 1 year	1,359,199,672	2,410,053,584
Over 1 year but below 5 years	2,221,583,900	3,500,295,000
Over 5 years	50,000,000	55,000,000
	<u>4,060,946,942</u>	<u>6,738,151,765</u>

Notes to financial statements for the year ended 31 December 2005

	Amounts in Taka	
	At 31 Dec 2005	At 31 Dec 2004
7. Loans and advances	20,494,759,758	16,567,561,650
7.1 Maturity grouping		
Repayable on demand	693,635,360	487,967,356
Below 3 months	2,265,610,931	2,935,967,133
Over 3 months but below 1 year	11,109,407,395	11,396,854,470
Over 1 year but below 5 years	5,563,862,072	1,699,148,897
Over 5 years	862,244,000	47,623,794
	20,494,759,758	16,567,561,650
7.2 Broad category-wise breakup		
In Bangladesh		
Loans	11,443,380,641	7,331,107,383
Overdrafts	8,750,754,863	9,185,479,937
Cash credits	-	-
	20,194,135,504	16,516,587,320
Outside Bangladesh		
Loans	249,899,631	23,844,595
Overdrafts	50,724,623	27,129,735
Cash credits	-	-
	300,624,254	50,974,330
	20,494,759,758	16,567,561,650
7.3 Significant concentration		
Advances to allied concerns of Directors	-	-
Advances to Chief Executive	5,104,802	1,367,532
Advances to industries	3,512,858,466	2,875,863,745
Advances to customer groups	16,976,796,490	13,690,330,373
	20,494,759,758	16,567,561,650
7.4 Industry-wise loans and advances		
Agriculture	20,500,000	20,500,000
Large and medium scale industry	1,064,900,000	1,043,900,000
Working capital	2,175,800,000	1,711,900,000
Export	450,500,000	439,200,000
Commercial lending	9,669,325,857	8,243,864,181
Small and cottage industry	28,300,000	-
Others	7,085,433,901	5,108,197,469
	20,494,759,758	16,567,561,650
7.5 Advances to customers for more than 10% (15% in 2004) of Bank's total capital.		
Total capital of the Bank	1,727,437,899	1,470,221,873
Number of clients	47	22
Amount of outstanding advances	6,204,200,000	3,514,600,000
Amount of classified advances	-	-
Measures taken for recovery	Not applicable	Not applicable

Notes to financial statements for the year ended 31 December 2005

	Amounts in Taka	
	At 31 Dec 2005	At 31 Dec 2004
7.6 Classification of loans and advances		
Standard (including staff loan)	18,655,900,118	14,634,035,304
Special mention account	82,907,000	-
Total unclassified loans and advances	18,738,807,118	14,634,035,304
Substandard	109,340,000	179,305,468
Doubtful	97,442,640	156,082,878
Bad/Loss	1,549,170,000	1,598,138,000
Total classified loans and advances	1,755,952,640	1,933,526,346
	20,494,759,758	16,567,561,650
7.7 Particulars of loans and advances		
(i) Loans considered good in respect of which the Bank is fully secured;	16,767,069,758	14,411,140,058
(ii) Loans considered good against which the Bank holds no security other than the debtors' personal guarantee;	-	-
(iii) Loans considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors; [note 7.7 (a)]	3,027,800,000	1,680,285,592
(iv) Loans adversely classified but provision not maintained thereagainst; (note 13.1)	699,890,000	476,136,000
	20,494,759,758	16,567,561,650
(v) Loans due by directors or officers of the Bank or any of them either separately or jointly with any other persons; [note 7.7 (b)]	116,867,000	52,532,000
(vi) Loans due from companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or in case of private companies, as members;	-	-
(vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the Bank or any of them either separately or jointly with any other persons; [note 7.7 (b)]	116,867,000	52,532,000
(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members;	-	-

Arab Bangladesh Bank Ltd

Notes to financial statements for the year ended 31 December 2005

		Amounts in Taka	
		At 31 Dec 2005	At 31 Dec 2004
(ix)	Due from banking companies;	-	-
(x)	Amount of classified loans on which interest has not been charged:		
(a)	Increase/decrease of provision (specific)	20,714,241	(389,012,225)
	Amount of loan written off	285,866,000	2,309,568,132
	Amount realised against loan previously written off	19,600,000	34,871,561
(b)	Provision kept against loans classified as bad/ loss on the date of preparing balance sheet	375,154,161	297,713,000
(c)	Interest charged in interest suspense account	130,023,689	62,950,892
(xi)	Written off loan		
	During the year	285,866,000	2,309,568,132
	Cumulative to-date (as per Bangladesh Bank guidelines)	3,737,200,000	3,539,100,000
	Cumulative to-date (Amicable settlement)	292,960,106	205,194,106
		<u>4,030,160,106</u>	<u>3,744,294,106</u>
	The amount of written off loans for which lawsuits filed	280,473,000	2,305,352,132
7.7	(a) The amount represents value of import documents released to the customers against Trust Receipts.		
7.7	(b) The amount represents loans due only by the employees of the Bank.		

Notes to financial statements for the year ended 31 December 2005

		Amounts in Taka	
		At	At
		31 Dec 2005	31 Dec 2004
7.8	Geographical location-wise (division) distribution		
	In Bangladesh:		
	Urban branches:		
	Dhaka	11,533,271,356	9,828,174,937
	Chittagong	5,294,469,550	3,958,972,237
	Khulna	777,391,883	682,387,162
	Sylhet	516,954,867	361,736,475
	Barisal	130,966,179	123,536,035
	Rajshahi	610,057,624	481,699,332
		<u>18,863,111,459</u>	<u>15,436,506,178</u>
	Rural branches:		
	Dhaka	661,297,554	497,823,899
	Chittagong	306,646,793	256,783,613
	Khulna	147,910,658	147,740,395
	Sylhet	215,169,040	173,432,190
	Barisal	-	-
	Rajshahi	-	4,301,045
		<u>1,331,024,045</u>	<u>1,080,081,142</u>
		<u>20,194,135,504</u>	<u>16,516,587,320</u>
	Outside Bangladesh:		
	Mumbai Branch, ABBL	300,624,254	50,974,330
		<u>20,494,759,758</u>	<u>16,567,561,650</u>
8.	Bills purchased and discounted		
	In Bangladesh	688,149,152	320,872,074
	Outside Bangladesh - Mumbai Branch, ABBL	201,724,990	120,063,745
		<u>889,874,142</u>	<u>440,935,819</u>
8.1	Maturity grouping		
	Within 1 month	258,591,951	161,757,247
	Over 1 month but below 3 months	586,966,459	248,023,593
	Over 3 months but below 6 months	44,315,732	31,154,979
	6 months or over	-	-
		<u>889,874,142</u>	<u>440,935,819</u>
9.	Fixed assets including premises, furniture and fixtures	<u>370,056,970</u>	<u>276,665,125</u>
	Details are shown in <u>Annex A</u> .		

Arab Bangladesh Bank Ltd

Notes to financial statements for the year ended 31 December 2005

	Amounts in Taka	
	At 31 Dec 2005	At 31 Dec 2004
10. Other assets		
Income generating		
In Bangladesh:		
Shares in Chittagong Stock Exchange Ltd	5,000,000	5,000,000
Outside Bangladesh:		
AB International Finance Ltd, Hong Kong (Wholly owned subsidiary company of ABBL)	5,203,944	5,203,944
	<u>10,203,944</u>	<u>10,203,944</u>
Non-income generating		
Inter-branch adjustment	2,716,975,928	2,410,349,872
Advance corporate income tax (note 10.1)	706,984,729	585,194,767
Accounts receivable	261,657,884	533,665,826
Preliminary, formation, organisational, renovation, development, prepaid expenses and others	262,643,014	220,705,288
Exchange for clearing	212,807,590	164,908,011
Interest accrued on investment but not collected, commission and brokerage receivable on shares and debentures, and other income receivables	25,686,970	26,517,356
Security deposits	76,593,394	72,785,996
Local draft (LD) paid without advice	47,236,894	66,062,470
Advance rent and advertisement	42,813,085	42,404,858
Stationery, stamps, printing materials, etc	13,225,383	9,885,409
Accrued income from subsidiary company	5,123,700	3,828,674
Interest on bearer certificate deposits	1,756,357	1,756,357
	<u>4,373,504,928</u>	<u>4,138,064,884</u>
	<u>4,383,708,872</u>	<u>4,148,268,828</u>
10.1 Advance corporate income tax		
In Bangladesh:		
Opening balance	363,856,638	378,532,822
<u>Add:</u> Paid during the year	55,614,124	18,500,000
<u>Add:</u> Tax withheld during the year	50,023,593	7,515,295
	105,637,717	26,015,295
<u>Less:</u> Settlement during the year	28,684,227	40,691,479
Closing balance	440,810,128	363,856,638
Mumbai Branch, ABBL	266,174,601	221,338,129
	<u>706,984,729</u>	<u>585,194,767</u>

Arab Bangladesh Bank Ltd

Notes to financial statements for the year ended 31 December 2005

		Amounts in Taka	
		At 31 Dec 2005	At 31 Dec 2004
11. Borrowings from other banks, financial institutions and agents			
In Bangladesh (note 11.1)		1,694,965,338	756,610,786
Outside Bangladesh (note 11.2)		215,565,110	4,852,633
		1,910,530,448	761,463,419
11.1 In Bangladesh			
Bangladesh Bank refinance		434,965,338	446,610,786
Call and Term Borrowing from			
Janata Bank		-	270,000,000
Jamuna Bank Ltd - REPO		120,000,000	-
Dutch Bangla Bank Ltd		-	40,000,000
Agrani Bank Ltd		200,000,000	-
The City Bank Ltd		250,000,000	-
United Commercial Bank Ltd		300,000,000	-
National Bank Ltd		150,000,000	-
Prime Bank Ltd		20,000,000	-
Bangladesh Commerce Bank Ltd		150,000,000	-
Industrial Development Leasing Company of Bangladesh Ltd		70,000,000	-
		1,260,000,000	310,000,000
		1,694,965,338	756,610,786
11.1.1 Analysis by security			
Secured		-	-
Unsecured		1,910,530,448	761,463,419
		1,910,530,448	761,463,419
11.1.2 Repayment pattern			
Repayable on demand		1,305,565,110	314,852,633
Repayable on maturity (note 11.1.2.1)		604,965,338	446,610,786
		1,910,530,448	761,463,419
11.1.2.1 Repayable on maturity			
Bangladesh Bank refinance:			
ADB loan		47,965,338	59,610,786
ATDP loan		387,000,000	387,000,000
		434,965,338	446,610,786
Jamuna Bank Ltd		120,000,000	-
Bangladesh Commerce Bank Ltd		50,000,000	-
		170,000,000	-
		604,965,338	446,610,786

Arab Bangladesh Bank Ltd

Notes to financial statements for the year ended 31 December 2005

11.2 Balance with other banks and financial institutions - outside Bangladesh

Name of the bank	Location	Currency	At 31 December 2005			At 31 December 2004		
			Amounts in foreign currency	Conversion rate	Amounts in Taka	Amounts in foreign currency	Conversion rate	Amounts in Taka
The Bank of Tokyo Mitsubishi Ltd	Tokyo	YEN	15,761	0.5617	8,853	-	-	-
JP Morgan Chase Bank	New York	USD	2,083,899	66.2100	137,974,962	-	-	-
Arab Bangladesh Bank Ltd	Mumbai	ACUD	1,031,937	66.2100	68,324,567	-	-	-
HSBC Plc	London	USD	-	-	-	37,915	60.7423	2,303,029
American Express Bank Ltd	New York	USD	-	-	-	41,974	60.7423	2,549,604
Commerz Bank AG	Frankfurt	EURO	118,116	78.3695	9,256,728	-	-	-
					215,565,110			4,852,633

Arab Bangladesh Bank Limited

Notes to financial statements for the year ended 31 December 2005

	Amounts in Taka	
	At	At
	31 Dec 2005	31 Dec 2004
12. Deposit and other accounts		
Inter-bank deposits	150,307,146	24,048,014
Other deposits	27,211,135,008	28,275,178,730
	27,361,442,154	28,299,226,744
12.1 Maturity analysis of inter-bank deposits		
Repayable on demand	3,438,816	-
Repayable within 1 month	146,868,330	24,048,014
Over 1 month but within 3 months	-	-
Over 3 months but within 1 year	-	-
Over 1 year but within 5 years	-	-
Over 5 years but within 10 years	-	-
Over 10 years	-	-
	150,307,146	24,048,014
12.2 Maturity analysis of other deposits		
Repayable on demand	103,164,972	102,554,245
Repayable within 1 month	1,638,787,843	2,288,045,410
Over 1 month but within 3 months	5,294,605,673	6,901,004,079
Over 3 months but within 1 year	13,788,570,677	15,327,038,982
Over 1 year but within 5 years	6,386,005,843	3,626,896,262
Over 5 years but within 10 years	-	29,639,752
Over 10 years	-	-
	27,211,135,008	28,275,178,730
	27,361,442,154	28,299,226,744
13. Other liabilities		
Accumulated provision against loans and advances (note 13.1)	590,964,999	540,207,571
Unearned interest on treasury bills and other bonds	224,211,720	494,119,127
Provision for corporate taxation (note 13.2)	626,164,903	343,652,187
Interest suspense account (note 13.3)	208,928,141	210,404,452
Retained revenue on Mumbai Branch, ABBL	71,133,468	56,769,170
Provision against other assets (note 13.4)	191,950,558	56,488,215
Exchange equalisation account	47,966,966	47,966,966
Accounts payable - Bangladesh Bank	130,103,670	16,670,460
Accrued expenses payable	12,081,026	15,583,000
Provision for gratuity (note 13.5)	10,000,000	1,493,686
Provision against investments	-	-
Others (*)	153,044,665	425,857,654
	2,266,550,116	2,209,212,488

(*) Others includes accrued interest on borrowing from call and Bangladesh Bank, provision for audit fee, un-claimed dividend, exchange fluctuation adjustment account for Mumbai branch, source tax and VAT payable, accounts payable for safe keeping, earnest and security money, payable to brokers - MBW and others.

Notes to financial statements for the year ended 31 December 2005

Amounts in Taka	
At	At
31 Dec 2005	31 Dec 2004

13.1 Accumulated provision against loans and advances

On classified loans

Balance at 01 January	354,109,542	742,727,113
<u>Less</u> : Fully provided debts written off during the year (*)	165,420,599	593,489,132
<u>Add</u> : Recovery of amounts previously written off	4,199,545	34,871,561
<u>Add</u> : Specific provision made for the year	182,111,511	170,000,000
<u>Less</u> : Recoveries and provision no longer required	-	-
<u>Add</u> : Net charge to Profit and Loss Statement	-	-
Balance at 31 December	374,999,999	354,109,542
Provision made by Mumbai branch, ABBL	154,161	330,378
Total provision on classified loans and advances	375,154,160	354,439,920

On unclassified loans

Balance at 01 January	185,000,000	170,000,000
<u>Less</u> : Transfer to provision for bad and doubtful loans	-	-
<u>Less</u> : Recoveries and provision no longer required	-	-
<u>Add</u> : General provision made for the year	30,000,000	-
<u>Add</u> : Transfer from provision of investment	-	15,000,000
Balance at 31 December	215,000,000	185,000,000
Provision made by Mumbai branch, ABBL	810,838	767,651
Total provision on un-classified loans and advances	215,810,838	185,767,651
Total provision on loans and advances	590,964,999	540,207,571

As on 31.12.2005, Provision on	Required	Maintained	Excess / (Shortage)
Un-classified loans and advances	197,300,000	215,810,838	18,510,838
Classified loans and advances	372,364,000	375,154,161	2,790,161
	569,664,000	590,964,999	21,300,999

(*) Loans and advances totalling Taka 699.89 million, covered by eligible securities as considered by the Bank, established as unrealisable have not been written off from the books pending a decision therefor to be taken by the Bank's Board as per directive of Bangladesh Bank.

13.2 Provision for corporate taxation

Balance at 01 January	146,614,951	115,990,657
<u>Add</u> : Provision during the year	245,000,000	100,000,000
<u>Less</u> : Adjustment during the year	-	69,375,706
Balance at 31 December	391,614,951	146,614,951
Provision made by Mumbai branch, ABBL	234,549,952	197,037,236
	626,164,903	343,652,187

Tax return for the year 2005 has not yet fallen due for filing and a provision for the year 2005 (assessment year 2006-2007) has been made by the Bank @ 45% on accounting profit after considering necessary taxable add-backs of income and inadmissible expenditures as per income tax law.

Tax assessments for the financial years 1995, 1996 and 1997 are pending and under processing for reference application before the High Court.

Notes to financial statements for the year ended 31 December 2005

Amounts in Taka

	Amounts in Taka	
	At 31 Dec 2005	At 31 Dec 2004
13.3 Interest suspense account		
Opening balance	210,404,452	1,619,395,560
Add: Transfer during the year	130,023,689	83,208,892
Less: Recovery during the year	44,100,000	63,500,000
Less: Write off during the year	87,400,000	1,428,700,000
Closing balance	208,928,141	210,404,452

13.4 As on 31.12.2005, Provision on	Required	Maintained	Excess / (Shortage)
Prepaid legal expenses	27,254,730	28,000,000	745,270
Protested bills	25,708,378	27,475,360	1,766,982
Unsettled FX transactions	135,462,343	135,462,343	-
Outstanding debit entries in NOSTRO $\text{\text{₹}}$	577,852	577,855	3
Balance with BCCI Bank, London	433,153	435,000	1,847
	189,436,456	191,950,558	2,514,102

13.5 Provision for gratuity		
Opening balance	1,493,686	7,512,085
Add: Charge during the year	10,000,000	14,000,000
Less: Adjustment during the year	1,493,686	20,018,399
Closing balance	10,000,000	1,493,686
14. Share Capital	519,763,600	495,012,900

14.1 Authorised Capital		
8,000,000 ordinary shares of Taka 100 each	800,000,000	800,000,000

14.2 Issued, Subscribed and Paid-up Capital		
1,500,000 ordinary shares of Taka 100 each issued for cash	150,000,000	150,000,000
3,697,636 ordinary shares of Taka 100 each issued as bonus shares	369,763,600	345,012,900
	519,763,600	495,012,900

14.3 Percentage of shareholding	At 31 Dec 2005		At 31 Dec 2004	
	No. of shares	%	No. of shares	%
Sponsors and public	5,165,553	99.38	4,915,752	99.31
Government	32,083	0.62	34,377	0.69
	5,197,636	100.00	4,950,129	100.00

14.4 Classification of shareholders by holding	No. of holders		% of total holding	
	2005	2004	2005	2004
Up-to 500	4,979	4,478	90.07	89.45
501 to 5,000	445	431	8.05	8.61
5,001 to 10,000	36	35	0.65	0.70
10,001 to 20,000	28	24	0.51	0.48
20,001 to 30,000	5	3	0.09	0.06
30,001 to 40,000	7	7	0.13	0.14
40,001 to 50,000	3	7	0.05	0.14
50,001 to 100,000	10	6	0.18	0.12
100,001 to 1,000,000	15	15	0.27	0.30
Over 1,000,000	-	-	-	-
	5,528	5,006	100.00	100.00

Notes to financial statements for the year ended 31 December 2005

14.5 Names of the Directors and their shareholdings as on 31 December 2005

Name of the Director	Status	Shareholding	
		At 31 Dec 2005	At 31 Dec 2004
Mr. Faisal M Khan	Chairman	10,386	9,892
Mr. Sajedur Seraj	Vice Chairman	133,510	127,154
Mr. Syed Golam Kibria (GoB Nominated)	Director	32,083	34,377
Mr. Golam Sarwar	Director	126	120
Mr. S M Salahuddin	Director	-	-
Mr. Mohd Tipu Sultan, FCA	Director	110	105
Mr. D. S. Faisal Hyder	Director	110	105
Mr. Kaiser A. Chowdhury	Ex-officio	-	-

14.6 Capital adequacy ratio (CAR)

In terms of section 13(2) of Banking Companies Act 1991 and Bangladesh Bank BRPD circulars no. 01, 14 and 10 dated 08 January 1996, 16 November 1996 and 25 November 2002 respectively, required capital of the Bank at the close of business on 31 December 2005 is Taka 1,694,717,602 as against available core capital of Taka 1,400,440,352 and supplementary capital of Taka 326,997,547, that is, a total of Taka 1,727,437,899 thereby showing surplus capital/equity of Taka 37,720,297 at that date. Details are shown below:

	Amounts in Taka	
	At 31 Dec 2005	At 31 Dec 2004
14.6.1 Core capital (Tier I)		
Paid-up capital	519,763,600	495,012,900
Non-repayable share premium account	343,900	343,900
Statutory reserve	650,203,611	556,311,769
General reserve	49,343,669	41,855,300
Retained earnings	180,785,572	124,573,387
Non-cumulative irredeemable preference share	-	-
Dividend equalisation account	-	-
	1,400,440,352	1,218,097,256
14.6.2 Supplementary capital (Tier II)		
General provision (1% on unclassified loans)	215,810,838	185,767,651
Assets revaluation reserves	63,219,743	18,390,000
All other preference shares	-	-
Perpetual subordinated debts	-	-
Exchange equalisation account	47,966,966	47,966,966
	326,997,547	252,124,617
Total Capital	1,727,437,899	1,470,221,873
Total assets including off-Balance Sheet items	47,727,920,733	45,776,639,408
Total risk-weighted assets	18,830,195,576	16,166,516,514
Required capital (9% of risk-weighted assets)	1,694,717,602	1,454,986,486
<u>Actual capital maintained</u>		
Core capital, Tier-I (note 14.6.1)	1,400,440,352	1,218,097,256
Supplementary capital, Tier II (note 14.6.2)	326,997,547	252,124,617
	1,727,437,899	1,470,221,873
Surplus	32,720,297	15,235,387
Capital adequacy ratio	9.17%	9.09%

Notes to financial statements for the year ended 31 December 2005

14.7 Capital requirement

	At 31 Dec 2005		At 31 Dec 2004	
	Required	Holding	Required	Holding
Core capital	4.5%	8.11%	4.5%	7.53%
Total	9.00%	9.17%	9.00%	9.09%

Amounts in Taka

At	At
31 Dec 2005	31 Dec 2004

15. Statutory reserve

In Bangladesh

Opening balance	500,294,769	462,281,449
Addition during the year (20% of pre-tax profit)	81,490,722	38,013,320
Closing balance	581,785,491	500,294,769

Outside Bangladesh - Mumbai branch, ABBL

Opening balance	56,017,000	41,041,990
Addition during the year	12,401,120	14,975,010
Closing balance	68,418,120	56,017,000
	650,203,611	556,311,769

16. Other reserve

General reserve (note 16.1)	41,855,300	41,855,300
Assets revaluation reserve (note 16.2)	126,439,485	18,390,000
Investment fluctuation reserve-Mumbai branch, ABBL	7,488,369	7,089,520
Share premium account (note 16.3)	343,900	343,900
	176,127,054	67,678,720

16.1 General reserve

In Bangladesh

Opening balance	41,855,300	41,855,300
<u>Add</u> : Addition during the year	-	-
<u>Less</u> : Transfer to share premium	-	-
Closing balance	41,855,300	41,855,300

Outside Bangladesh

Mumbai branch, ABBL	-	-
	41,855,300	41,855,300

16.2 Assets revaluation reserve

Opening balance	18,390,000	18,390,000
<u>Add</u> : Revaluation of Bank's Land during the year	108,049,485	-
	126,439,485	18,390,000

Opening balance represents the value of the properties, which were auctioned for realisation against the overdue loans of KSR Impex and Munmun Stores, who were the borrowers of the Bank's Agrabad Branch. This revaluation was done in the year 1997 by a professional valuer at Chittagong.

In the year 2005, lands and buildings owned by the Bank have been revalued by the professional valuer and revaluation gain has been transferred to this reserve.

Notes to financial statements for the year ended 31 December 2005

Amounts in Taka

	At 31 Dec 2005	At 31 Dec 2004
16.3 Share premium account		
Opening balance	343,900	23,916,000
<u>Add:</u> Received during the year	-	-
<u>Less:</u> 5% bonus share issued in 2003	-	23,572,100
Closing balance	343,900	343,900
<p>Share premium account was created in the year 2002 as per gazette notification SEC/CFD/2001/Admin/02-02 dated 11 September 2001 issued by the Securities Exchange Commission regarding issuance of bonus shares. Subsequently, the order was rescinded vide notification SEC/LSD/Order/2003/01-Admin-2/07 dated 14 March 2004. For the year 2003, 5% stock dividend was approved in the AGM held on October 2004 and paid from this account.</p>		
17. Retained earnings		
Opening balance	124,573,386	72,520,107
<u>Add:</u> Post-tax profit for the year	162,453,608	90,066,599
<u>Less:</u> Transfer to statutory reserve	81,490,722	38,013,320
<u>Less:</u> Issue of bonus shares - 2004	24,750,700	-
Closing balance	180,785,572	124,573,386
18. Contingent liabilities		
18.1 Claims lodged with but not recognised by the Bank	-	-
Money for which the Bank is contingently liable in respect of guarantees issued favouring:		
Directors	-	-
Government	-	-
Banks and other financial institutions	-	-
Others	2,798,201,975	3,619,932,664
	2,798,201,975	3,619,932,664
18.2 Other contingent liabilities		
Litigation pending against the Bank	-	-
Customers' stocks of securities-MBW	2,685,591,534	2,903,335,195
Value of traveller's cheques	55,198,662	51,984,967
Value of savings certificates (Sanchaya patra)	1,474,746,705	1,266,377,032
	4,215,536,901	4,221,697,194

Arab Bangladesh Bank Limited**Notes to financial statements for the year ended 31 December 2005**

	Amounts in Taka	
	At 31 Dec 2005	At 31 Dec 2004
19. Other commitments		
Documentary credits and short term trade-related transactions	-	-
Forward assets purchased and forward deposits placed	-	-
Undrawn formal standby facilities, credit lines and commitments to lend		
Below 1 year	-	-
1 year and over	-	-
Spot and forward foreign exchange rate contracts	135,462,343	358,986,993
Other exchange contracts	-	-
	135,462,343	358,986,993

Spot and forward foreign exchange rate contracts in the off-Balance Sheet items as on 31 December 2004 represents outstanding foreign exchange transactions of the Bank . This includes an amount of Taka 358.99 million (equivalent US\$ 5.91 million) related to the unsettled foreign exchange dealings against which claim has been lodged to Sonali Bank for Taka 269.70 million (equivalent US\$ 4.44 million). As of October 2005, an amount of GBP 1.8 million (equivalent US\$ 3.26 million) was received from Sonali Bank. Rest of the claim amount of US\$ 2.65 million (US\$ 5.91 million - US\$ 3.26 million) has been converted to local currency (equivalent BDT Taka 174.64 million) and transferred to 'Other Assets' on recommendation of Bangladesh Bank. Moreover, in December 2005, amount of 0.50 million Euro (equivalent BDT 39.18 million) was received from Sonali Bank.

Remaining balance of BDT 135.46 million (BDT 174.64 million - BDT 39.18 million) which is yet to be received, kept under the head 'Other Assets' and fully provided as per recommendation of Bangladesh Bank.

Arab Bangladesh Bank Limited

Notes to financial statements for the year ended 31 December 2005

Profit and Loss Statement

Amounts in Taka

20. Interest income

Interest on loans and advances

Loans and advances

Bills purchased and discounted

Interest on

Balance with Bangladesh Bank

Reverse Repo

Balance with foreign banks

Calls and placements

Profit/loss due to change in interest rate

21. Interest paid on deposits, borrowings, etc

Interest on deposits

Fixed deposits

Savings deposits

Short-term deposits

Other deposits

Interest on borrowings

Local banks including Bangladesh Bank

Nostro overdrawn

22. Investment Income

Interest on treasury bills

Interest on treasury bonds

Interest on others bonds

Interest on debentures

Dividend on shares

Capital gain on sale of shares

Prize money of prize bond

23. Commission, exchange and brokerage

Commission on letter of credit

Commission on letter of guarantee

Other fees, commission and service charges

Exchange gains less losses arising from dealings in foreign currencies

Brokerage

	Year ended 31 Dec 2005	Year ended 31 Dec 2004
Loans and advances	2,088,553,245	1,955,309,510
Bills purchased and discounted	40,320,038	28,955,130
	<u>2,128,873,283</u>	<u>1,984,264,640</u>
Balance with Bangladesh Bank	8,027,310	16,728,247
Reverse Repo	13,128,891	-
Balance with foreign banks	17,654,799	7,765,874
Calls and placements	95,263,486	42,982,721
	<u>134,074,485</u>	<u>67,476,842</u>
Profit/loss due to change in interest rate	-	-
	<u>2,262,947,768</u>	<u>2,051,741,482</u>
Fixed deposits	1,033,936,126	1,129,794,760
Savings deposits	297,508,399	255,184,453
Short-term deposits	64,031,965	93,543,376
Other deposits	18,851,727	14,522,046
	<u>1,414,328,217</u>	<u>1,493,044,635</u>
Local banks including Bangladesh Bank	157,107,939	47,715,645
Nostro overdrawn	105,844	76,628
	<u>157,213,783</u>	<u>47,792,273</u>
	<u>1,571,542,000</u>	<u>1,540,836,908</u>
Interest on treasury bills	268,401,738	299,563,830
Interest on treasury bonds	3,316,750	3,589,750
Interest on others bonds	4,145,000	4,145,000
Interest on debentures	2,887,500	2,880,000
Dividend on shares	21,502,450	12,019,183
Capital gain on sale of shares	17,219,367	86,191,835
Prize money of prize bond	-	8,000
	<u>317,472,805</u>	<u>408,397,598</u>
Commission on letter of credit	90,178,608	114,584,943
Commission on letter of guarantee	36,432,950	31,776,951
Other fees, commission and service charges	347,521,284	214,205,755
Exchange gains less losses arising from dealings in foreign currencies	12,308,382	75,857,784
Brokerage	-	-
	<u>486,441,224</u>	<u>436,425,432</u>

Arab Bangladesh Bank Limited

Notes to financial statements for the year ended 31 December 2005

	Amounts in Taka	
	Year ended 31 Dec 2005	Year ended 31 Dec 2004
24. Other income		
Profit remitted from Mumbai branch, ABBL	26,803,760	24,968,750
Dividend from AB International Finance Ltd, Hong Kong	5,270,890	3,828,674
Telex, Telephone, Fax etc recoveries	18,471,513	16,054,181
Courier, Postage, Stamp etc recoveries	12,526,108	11,382,902
Locker rent, insurance claim and others including MBW	2,062,757	47,275,873
Recoveries on loans previously written-off	15,808,774	-
Rent from Bank's property	640,500	13,500
Non-operating income (*)	594,170	1,106,007
	82,178,472	104,629,887
(*) Non operating income includes sale of old tyres, tubes, newspapers, furniture, fixtures, vehicles, etc.		
25. Salary and allowances		
Basic salary and allowance	403,248,261	224,810,057
Festival bonus	33,177,639	32,697,104
Bank's contribution to provident fund	19,947,910	19,543,478
Gratuity	10,000,000	140,000,000
	466,373,810	417,050,639
26. Rent, taxes, insurance, lighting, etc		
Rent, rates and taxes	70,695,503	67,401,890
Lease rental	33,817,753	46,539,934
Insurance	19,993,853	25,388,511
Electricity, gas, wasa, etc.	18,436,565	18,723,267
	142,943,673	158,053,602
27. Legal expenses	769,621	646,267
28. Postage, stamp, telecommunication, etc		
Telephone	13,357,779	15,917,400
Postage, stamp and shipping	6,944,631	7,186,599
Telex, fax, internet, wireless link, SWIFT, Reuters, ATM etc	8,226,456	6,944,193
	28,528,866	30,048,192
29. Stationery, printing, advertisements, etc		
Printing and stationery	19,760,197	18,635,838
Publicity, advertisement, etc	3,644,406	1,001,388
	23,404,603	19,637,226
30. Directors' fees		
Meeting fees	799,250	1,063,750
Other expenses	177,921	90,632
	977,171	1,154,382

Directors' fees includes fees for Board, Executive Committee, Audit Committee and Shariah Council meetings. Each director was remunerated @ Taka 2,500 per meeting

Arab Bangladesh Bank Limited

Notes to financial statements for the year ended 31 December 2005

	Amounts in Taka	
	Year ended 31 Dec 2005	Year ended 31 Dec 2004
31. Auditors' fees		
Statutory	235,125	225,000
Merchant Banking Wing	40,000	30,000
Others	170,125	-
	445,250	255,000
32. Depreciation and repair of Bank's assets		
Depreciation		
Building	388,855	398,825
Furniture and fixtures	7,869,244	8,094,423
Office appliances	2,716,692	2,564,574
Electrical appliances	19,308,596	19,715,060
Motor vehicles	4,020	278,743
	30,287,406	31,051,625
Repairs		
Office premises and others	5,716,686	4,502,788
Furniture and fixtures	1,459,944	1,371,589
Office appliances	2,293,447	2,146,659
Electrical appliances	6,679,657	7,352,404
Motor vehicles	6,614,158	5,411,986
	22,763,891	20,785,425
	53,051,297	51,837,050
33. Other expenses		
Amortisation of deferred revenue expenses	16,383,758	16,613,842
System program and software development	455,148	85,217
Petrol, oil and lubricant	11,879,636	11,973,640
Entertainment	10,362,229	9,979,268
Travelling	4,222,052	5,194,995
Local conveyance	3,558,042	3,204,225
Training, seminar and workshop	1,105,756	1,984,159
Books, newspapers and periodicals	738,568	377,264
Professional charges	3,366,684	3,617,041
Subscription, membership and sponsorship	7,228,841	9,869,004
Branches reopening expenses	238,943	484,800
Contractual services	29,257,913	27,083,221
Sundry expenses (*)	12,487,338	20,586,859
	101,284,907	111,053,534

(*) Sundry expenses includes corporate expenses against business promotion, carrying and labour charges, managers' conference, annual general meeting, loss on sale of assets, non-operating expenses and other miscellaneous expenses.

Arab Bangladesh Bank Limited

Notes to financial statements for the year ended 31 December 2005

	Amounts in Taka	
	Year ended 31 Dec 2005	Year ended 31 Dec 2004
34. Provision against loans and advances		
Classified	182,111,511	170,000,000
Unclassified	30,000,000	-
	212,111,511	170,000,000
35. Provisions for diminution in value of investment		
Provision against investments in shares, debentures, and bonds	-	-
36. Other provision		
Provision on prepaid legal expenses	-	-
Provision on protested bills	-	-
Provision on unsettled foreign exchange transactions	135,462,343	-
Provision on outstanding debit entries in NOSTRO accounts	-	-
Provision on balance with BCCI Bank, London	-	-
	135,462,343	-
<p>Provision on prepaid legal expenses and protested bills has been made as per Bangladesh Bank BRPD Circular # 14 of 2001.</p> <p>Provision on unsettled foreign exchange transactions has been made as per recommendation of Bangladesh Bank.</p>		
37. Appropriations		
Retained earnings - brought forward	124,573,386	72,520,108
<u>Add:</u> Post-tax profit for the year	162,453,608	90,066,599
	287,026,994	162,586,707
<u>Less:</u> Bonus shares issued - 2004	24,750,700	-
Profit available for distribution	262,276,294	162,586,707
Transferred to:		
Statutory reserve	81,490,722	38,013,320
General reserve	-	-
Proposed dividend	-	-
	81,490,722	38,013,320
Retained earnings	180,785,572	124,573,387
38. Earnings per share		
Profit after taxation	162,453,608	90,066,598
Number of ordinary shares outstanding	5,197,636	4,950,129
Earnings per share	31.26	18.19

Earnings per share (EPS) has been computed by dividing the basic earnings by the number of ordinary shares outstanding as on 31 December 2005 as per Bangladesh Accounting Standard (BAS)-33.

Arab Bangladesh Bank Limited

Notes to financial statements for the year ended 31 December 2005

	Amounts in Taka	
	Year ended 31 Dec 2005	Year ended 31 Dec 2004
39. Receipts from other operating activities		
Interest on treasury bills, bonds and others	295,970,355	396,378,415
Exchange earnings	12,308,382	75,857,784
Profit remitted from Mumbai branch, ABBL	26,803,760	24,968,750
Telex, Telephone, Fax etc recoveries	18,471,513	16,054,181
Courier, Postage, Stamp etc recoveries	12,526,108	11,382,902
Dividend from AB International Finance Ltd, Hong Kong	5,270,890	3,828,674
Non-operating income	594,170	1,106,007
Rent from Bank's property	640,500	13,500
Others	2,062,757	7,053,972
	374,648,436	536,644,185
40. Payments for other operating activities		
Charges on loan losses	-	307,655,000
Rent, taxes, insurance, electricity, etc	142,943,673	158,053,602
Postage, stamps, telecommunication, etc	28,528,866	30,048,192
Repair of Bank's assets	22,763,891	20,785,425
Directors' fees	977,171	1,154,382
Legal expenses	769,621	646,266
Other expenses	101,284,908	100,807,267
	297,268,130	619,150,134
	At	At
	31 Dec 2005	31 Dec 2004
41. Other assets		
Shares in Chittagong Stock Exchange Ltd	5,000,000	5,000,000
AB International Finance Ltd, Hong Kong	5,203,944	5,203,944
Inter-branch adjustment	2,716,975,928	2,410,349,872
Advance corporate income tax	706,984,729	585,194,767
Accounts receivable	261,657,884	533,665,826
Preliminary, formation, organisational, renovation, development and prepaid expenses	262,643,014	220,705,288
Exchange for clearing	212,807,590	164,908,011
Interest accrued on investment but not collected, commission and brokerage receivable on shares and debentures, and other income receivables	25,686,970	26,517,356
Security deposits	76,593,394	72,785,996
Local draft (LD) paid without advice	47,236,894	66,062,470
Advance rent and advertisement	42,813,085	42,404,858
Stationery, stamps, printing materials, etc	13,225,383	9,885,409
Accrued income from subsidiary company	5,123,700	3,828,674
Interest on bearer certificate deposits	1,756,357	1,756,357
	4,383,708,872	4,148,268,828
<u>Less : Payment of income tax</u>	105,637,717	24,855,509
	4,278,071,154	4,123,413,319
Net increase	154,657,835	305,874,818

Arab Bangladesh Bank Limited

Notes to financial statements for the year ended 31 December 2005

	Amounts in Taka	
	At 31 Dec 2005	At 31 Dec 2004
42. Other liabilities		
Accumulated provision against loans and advances	590,964,999	540,207,571
Unearned interest on treasury bills and other bonds	224,211,721	494,119,127
Provision for corporate taxation	391,614,951	146,614,951
Interest suspense account	208,928,141	210,404,452
Retained revenue on Mumbai Branch, ABBL	71,133,468	56,769,170
Provision against other assets	191,950,558	56,488,215
Exchange equalisation account	47,966,966	47,966,966
Accounts payable - Bangladesh Bank	130,103,670	16,670,460
Accrued expenses payable	12,081,026	15,583,000
Provision for gratuity	10,000,000	1,493,686
Provision against investments	-	-
Others	153,044,665	461,432,441
	2,032,000,164	2,047,750,039
<u>Less: Adjustment for provision</u>	<u>602,573,854</u>	<u>270,000,000</u>
	1,429,426,310	1,777,750,039
Net decrease	(348,323,729)	(1,813,829,783)

43. Highlights of the overall activities of the Bank

Sl. No.	Particulars	2005	2004
1	Paid-up capital	519,763,600	495,012,900
2	Total capital	1,727,437,899	1,470,221,873
3	Capital surplus	32,720,297	15,235,387
4	Total assets	33,065,402,555	32,508,626,792
5	Total deposits	27,361,442,154	28,299,226,744
6	Total loans and advances	21,384,633,900	17,008,497,469
7	Total contingent liabilities and commitments	14,662,518,178	15,714,898,944
8	Credit-deposit ratio	78.16	60.10
9	Ratio of classified loans against total loans and advances	8.21	11.37
10	Profit after tax and provision	162,453,608	90,066,599
11	Loans classified during the year	448,302,000	1,933,526,346
12	Provision kept against classified loans during the year	182,111,511	170,000,000
13	Provision surplus/ (deficit)	21,300,999	5,396,000
14	Cost of fund	8.60%	8.53%
15	Interest earning assets	24,006,766,329	22,260,823,917
16	Non-interest earning assets	9,058,636,225	10,247,802,875
17	Return on investments (RoI)	5.88%	2.03%
18	Return on assets (RoA)	0.50%	0.39%
19	Income from investments	317,472,805	408,397,598
20	Earnings per share	31.26	18.19
21	Net income per share	31.26	18.19
22	Price-earnings ratio (Times)	11.68	20.95

Arab Bangladesh Bank Limited

Notes to financial statements for the year ended 31 December 2005

Others

44. Assets and liabilities at 31 December 2005 denominated in foreign currencies have been converted to local currency Bangladesh Taka (BDT) at the following exchange rates:

<u>Currency</u>	<u>Abbreviation and unit</u>		<u>Equivalent BDT</u>
British Pound Sterling	GBP	1.00	113.6263
European Currency	EURO	1.00	78.3695
Indian Rupee	INR	1.00	1.4682
Hong Kong Dollar	HKD	1.00	8.5395
Japanese Yen	JPY	1.00	0.5617
US Dollar	USD	1.00	66.21

45. No material events have occurred after the Balance Sheet date that could affect the values reported in the financial statements.
46. Figures in these notes and in the annexed financial statements have been rounded off to the nearest Taka.
47. Wherever considered necessary, previous year's figures have been rearranged for the purpose of comparison with current year's presentation without any impact on the profit and value of assets and liabilities as reported in the financial statements.
48. These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

for Arab Bangladesh Bank Limited

Faisal M Khan
Chairman

Sajedur Seraj
Vice Chairman

Syed Golam Kibria
Director

Kaiser A. Chowdhury
Managing Director

Dhaka, Bangladesh
Dated, 27 April 2006

Details of fixed assets at 31 December 2005

Annex A

Amounts in Taka

	Land and building	Furniture and fixtures	Office appliances	Electrical appliances	Motor vehicles	Total
Cost						
Balance at 01 January 2005	127,120,133	151,287,121	31,584,798	238,238,469	28,820,570	577,051,091
Addition during the year	103,238,930	3,437,360	645,952	18,571,827	-	125,894,069
Disposal during the year	-	2,219,618	-	2,405,677	2,129,500	6,754,795
At 31 December 2005	230,359,063	152,504,863	32,230,750	254,404,619	26,691,070	696,190,365
Mumbai Branch, ABBL	-	3,519,431	9,174,860	3,158,625	2,448,257	18,301,173
	230,359,063	156,024,294	41,405,610	257,563,244	29,139,327	714,491,538
Accumulated depreciation						
Balance at 01 January 2005	2,688,615	77,033,981	22,404,248	174,448,968	28,814,811	305,390,623
Addition during the year	388,855	7,869,244	2,716,692	19,308,596	4,020	30,287,406
Adjustments during the year	-	1,740,200	432,864	1,770,551	2,129,499	6,073,114
At 31 December 2005	3,077,470	83,163,025	24,688,076	191,987,012	26,689,332	329,604,915
Mumbai Branch, ABBL	-	2,538,052	8,991,871	1,272,830	2,026,900	14,829,653
	3,077,470	85,701,077	33,679,947	193,259,842	28,716,232	344,434,568
Net book value						
At 31 December 2005	227,281,593	69,341,839	7,542,674	62,417,606	1,738	366,585,450
Mumbai Branch, ABBL	-	981,379	182,989	1,885,795	421,357	3,471,520
Total at 31 Dec 2005	227,281,593	70,323,218	7,725,663	64,303,401	423,095	370,056,970
Total at 31 Dec 2004	124,431,518	75,516,418	10,234,289	65,614,653	868,247	276,665,125

Balance Sheet at 31 December 2005

	Amounts in Taka	
	At 31 Dec 2005	At 31 Dec 2004
PROPERTY AND ASSETS		
Cash	35,064	9,100
In hand (including foreign currencies)	35,064	9,100
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	-	-
Balance with other banks and financial institutions	33,052,000	-
In Bangladesh	33,052,000	-
Outside Bangladesh	-	-
Money at call and on short notice	-	-
Investments	-	-
Government	-	-
Others	-	-
Investments	15,105,360	-
Murabaha	9,633,314	-
Bai-Muazzal	3,819,546	-
Hire Purchase	1,507,500	-
Quard against MTDR	145,000	-
Fixed assets including premises, furniture and fixtures	877,431	-
Other assets	6,124,375	11,825,159
Non-banking assets	-	-
Total Assets	55,194,230	11,834,259
LIABILITIES AND CAPITAL		
Liabilities		
Borrowings from other banks, financial institutions and agents	-	-
Deposits and other accounts	56,750,954	11,955,031
Al-Wadia current deposit	2,326,156	588,595
Mudaraba savings deposit	3,794,185	154,011
Mudaraba short term deposit	127,657	-
Mudaraba term deposit	46,101,797	11,200,000
Profit payable account	1,370,320	8,630
Sundry deposit	2,218,977	3,795
Bills payable	811,862	-
Other liabilities	1,340,312	20,231
Surplus of profit and loss account	(2,897,036)	(141,003)
Total Liabilities	55,194,230	11,834,259
Contingent liabilities		
Acceptances and endorsements	-	-
Letters of guarantee	4,500,000	-
Irrevocable letters of credit	-	-
Bills for collection	-	-
Other contingent liabilities	-	-
	4,500,000	-
Other commitments		
Documentary credits and short term trade-related transactions	-	-
Forward assets purchase and forward deposits placed	-	-
Spot and forward foreign exchange contracts	-	-
Undrawn note issuance and revolving underwriting facilities	-	-
Undrawn formal standby facilities, credit lines and other commitments	-	-
	-	-
Total off-Balance Sheet items including contingent liabilities	4,500,000	-

Profit and Loss Statement for the year ended 31 December 2005

	Amounts in Taka	
	Year ended 31 Dec 2005	Year ended 31 Dec 2004
OPERATING INCOME		
Profit received from investment	1,314,860	56
Profit paid on deposits, borrowings, etc	(2,268,815)	(8,631)
Net profit received	(953,955)	(8,575)
Profit earned from other banks	1,743,020	-
Commission, exchange and brokerage	208,857	100
Other income	51,921	-
	2,003,799	100
Total operating income (a)	1,049,843	(8,475)
OPERATING EXPENSES		
Salary and allowances	2,427,683	4,500
Rent, taxes, insurance, electricity, etc	548,131	64,075
Legal expenses	-	-
Postage, stamps, telecommunication, etc	39,984	1,448
Stationery, printing, advertisement, etc	114,364	30,755
Chief executive's salary and fees	-	-
Directors' fees	32,253	8,625
Auditors' fees	-	-
Charges on loan losses	-	-
Depreciation and repair of Bank's assets	280,058	1,325
Other expenses	504,406	21,800
Total operating expenses (b)	3,946,879	132,528
Net loss during the year (a-b)	(2,897,036)	(141,003)