

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 2006

S. F. AHMED & CO

Chartered Accountants

House 25, Road 13A, Block D

Banani, Dhaka 1213, Bangladesh

Telephones : (880-2) PABX 989-4346 & 989-4258, Others 881-6467, & 881-5101

Faxes: (880-2) 882-5135 & 881-4713 E-mails:(i) sfaco@citechco.net (ii) sfaco@bdonline.com

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 at 31 December 2006 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 at 31 December 2006 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 Securities and Exchange Ordinance 1969, the Securities and Exchange Rules 1987, the rules and regulations issued by Bangladesh Bank and other applicable laws and regulations.

We also 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 purpose 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 2006 and the profit for the year then ended have been properly reflected in the financial statements, which 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.

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 07 May 2007

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Chartered Accountants

Arab Bangladesh Bank Limited
Balance Sheet at 31 December 2006

		Amounts in Taka	
		At	At
Notes		31 Dec 2006	31 Dec 2005
PROPERTY AND ASSETS			
Cash			
	3	3,247,071,614	1,935,415,308
	3.1	519,829,203	447,609,426
	3.2	2,727,242,411	1,487,805,882
	4	1,273,352,219	540,799,380
	4.1	230,470,168	58,756,465
	4.2	1,042,882,051	482,042,915
	5	517,150,308	389,841,183
Investments			
	6	6,301,289,023	4,060,946,942
	6.1	4,817,154,007	3,275,356,000
	6.2	1,484,135,016	785,590,942
	7	31,289,251,217	21,384,633,900
	7	29,486,234,780	20,494,759,758
	8	1,803,016,437	889,874,142
	9	1,148,462,590	370,056,970
	10	4,212,760,251	4,383,708,872
		-	-
		47,989,337,222	33,065,402,555
LIABILITIES AND CAPITAL			
Liabilities			
	11	1,297,378,229	1,910,530,448
	12	42,076,995,417	27,361,442,154
		4,159,604,591	3,438,832,415
		2,176,159,548	1,389,662,491
		538,583,214	545,669,598
		8,179,509,291	6,949,853,081
		2,620,786,358	2,258,788,337
		23,363,898,951	12,127,312,542
		140,863,710	127,493,553
		897,589,754	523,830,137
	13	2,032,200,664	2,266,550,116
		45,406,574,310	31,538,522,718
Capital/ Shareholders' Equity			
	14	571,740,000	519,763,600
	15	772,867,621	650,203,611
	16	683,597,039	176,127,054
	17	554,558,252	180,785,572
		2,582,762,912	1,526,879,837
		47,989,337,222	33,065,402,555

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Arab Bangladesh Bank Limited
Balance Sheet at 31 December 2006

	Notes	Amounts in Taka	
		At 31 Dec 2006	At 31 Dec 2005
Off-Balance Sheet Items			
Contingent liabilities	18		
Acceptances and endorsements		2,974,762,808	1,917,587,425
Letters of guarantee	18.1	2,920,556,934	2,798,201,975
Irrevocable letters of credit		7,802,605,638	3,583,469,507
Bills for collection		2,571,462,007	2,012,260,027
Other contingent liabilities	18.2	4,842,892,133	4,215,536,901
		21,112,279,519	14,527,055,835
Other commitments	19		
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Spot and forward foreign exchange contracts		-	135,462,343
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
		-	135,462,343
Total off-Balance Sheet items including contingent liabilities		21,112,279,519	14,662,518,178

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

for Arab Bangladesh Bank Limited

Sajedur Seraj
Vice Chairman

Golam Sarwar
Director

D.S. Faisal Hyder
Director

Kaiser A. Chowdhury
Managing Director

Signed in terms of our report of even date annexed

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Dated, 07 May 2007

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Arab Bangladesh Bank Limited
Profit and Loss Statement for the year ended 31 December 2006

	Notes	Amounts in Taka	
		Year ended 31 Dec 2006	Year ended 31 Dec 2005
OPERATING INCOME			
Interest income	20	3,378,338,544	2,262,947,768
Interest paid on deposits, borrowings, etc	21	(2,762,833,939)	(1,571,542,000)
Net interest income		615,504,605	691,405,768
Investment income	22	974,515,836	317,472,805
Commission, exchange and brokerage	23	740,610,379	486,441,224
Other income	24	319,535,254	82,178,472
		2,034,661,469	886,092,501
Total operating income (a)		2,650,166,074	1,577,498,269
OPERATING EXPENSES			
Salary and allowances	25	563,558,879	466,373,810
Rent, taxes, insurance, electricity, etc	26	111,800,004	142,943,673
Legal expenses	27	1,272,304	769,621
Postage, stamps, telecommunication, etc	28	34,257,906	28,528,866
Stationery, printing, advertisement, etc	29	27,218,559	23,404,603
Chief executive's salary and fees		5,119,996	4,691,609
Directors' fees	30	950,547	977,171
Auditors' fees	31	450,700	445,250
Charges on loan losses		-	-
Depreciation and repairs of Bank's assets	32	85,039,847	53,051,297
Other expenses	33	1,109,810,983	101,284,907
Total operating expenses (b)		1,939,479,724	822,470,807
Profit before provision (c = a-b)		710,686,349	755,027,462
Provision against loans and advances	34	162,500,000	212,111,511
Provision for diminution in value of investments	35	16,000,000	-
Other provision	36	-	135,462,343
Total provision (d)		178,500,000	347,573,854
Profit before taxation (c-d)		532,186,349	407,453,608
Provision for taxation	2.13	-	245,000,000
Net profit after taxation		532,186,349	162,453,608
Appropriations			
Statutory reserve	37	106,437,270	81,490,722
General reserve		-	-
Dividends, etc		-	-
		106,437,270	81,490,722
Retained surplus		425,749,080	80,962,887
Earnings per share (EPS)	38	93.08	31.26

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

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Arab Bangladesh Bank Limited
Cash Flow Statement for the year ended 31 December 2006

	Notes	Amounts in Taka	
		Year ended 31 Dec 2006	Year ended 31 Dec 2005
Cash Flows from Operating Activities			
Interest receipts		3,378,338,544	2,262,947,768
Interest payments		(2,762,833,939)	(1,571,542,000)
Dividend receipts		18,917,807	21,502,450
Fee and commission receipts		719,760,283	474,132,841
Recoveries on loans previously written off		118,875,051	15,808,774
Payments to employees		(568,678,875)	(461,065,419)
Payments to suppliers		(55,523,928)	(54,137,259)
Income taxes paid		(161,664,236)	(105,637,717)
Receipts from other operating activities	39	1,177,108,328	374,648,436
Payments for other operating activities	40	(1,286,497,632)	(297,268,130)
Operating profit before changes in operating assets and liabilities		577,801,403	659,389,745
Increase/decrease in operating assets and liabilities			
Loans and advances to customers		(9,904,617,317)	(4,376,136,431)
Other assets	41	226,975,139	(154,657,835)
Deposits from other banks		4,741,532,365	126,259,132
Deposits from customers		9,974,020,898	(1,064,043,722)
Trading liabilities (short-term borrowings)		(544,687,988)	830,000,000
Other liabilities	42	189,724,401	(348,323,729)
		4,682,947,499	(4,986,902,585)
Net cash from/(used in) operating activities (a)		5,260,748,902	(4,327,512,840)
Cash Flows from Investing Activities			
Purchase/sale of government securities		(1,541,583,007)	3,105,000,000
Purchase/sale of trading securities, shares, bonds, etc		(698,544,074)	(426,562,577)
Purchase/sale of property, plant and equipment		(780,424,321)	(24,599,378)
Net cash from/(used in) investing activities (b)		(3,020,551,402)	2,653,838,045
Cash Flows from Financing Activities			
Increase/(decrease) of long-term borrowings		(68,464,231)	199,067,028
Dividend paid		-	-
Net cash from/(used in) financing activities (c)		(68,464,231)	199,067,028
Net increase/(decrease) in cash (a+b+c)		2,171,733,269	(1,474,607,767)
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		2,871,116,872	4,345,724,639
Cash and cash equivalents at end of year (*)		5,042,850,141	2,871,116,872
(*) Cash and cash equivalents:			
Cash		519,829,203	447,609,426
Prize bonds		5,276,000	5,061,000
Money at call and on short notice		517,150,308	389,841,183
Balance with Bangladesh Bank and its agent bank(s)		2,727,242,411	1,487,805,882
Balance with other banks and financial institutions		1,273,352,219	540,799,380
		5,042,850,141	2,871,116,872

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

for Arab Bangladesh Bank Limited

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Dated, 07 May 2007

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Arab Bangladesh Bank Limited

Statement of Changes in Equity for the year ended 31 December 2006

Amounts in Taka

Particulars	Paid-up capital	Statutory reserve	Other reserve	Retained earnings	Total
Balance at 01 January 2006	519,763,600	650,203,611	176,127,054	180,785,572	1,526,879,837
Effects of changes in accounting policy	-	-	-	-	-
Restated balance	519,763,600	650,203,611	176,127,054	180,785,572	1,526,879,837
Surplus/deficit on account of revaluation of properties	-	-	506,978,309	-	506,978,309
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	-	-	-	532,186,349	532,186,349
Transfer to statutory reserve					
In Bangladesh	-	106,437,270	-	(106,437,270)	-
Outside Bangladesh - ABBL, Mumbai Branch	-	16,226,740	-	-	16,226,740
Transfer to general and other reserves					
In Bangladesh	-	-	-	-	-
Outside Bangladesh - ABBL, Mumbai Branch	-	-	-	-	-
Addition to investment fluctuation reserve - ABBL, Mumbai Branch	-	-	491,676	-	491,676
Issue of 10% bonus shares - 2005	51,976,400	-	-	(51,976,400)	-
Issue of share capital	-	-	-	-	-
Balance at 31 December 2006	571,740,000	772,867,621	683,597,039	554,558,252	2,582,762,912

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Arab Bangladesh Bank Limited

Statement of Liquidity Analysis (Maturity of Assets and Liabilities) at 31 December 2006

Amounts in Taka

Particulars	Up to 1 month's 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	519,829,203	2,727,242,411	-	-	-	3,247,071,614
Balance with other banks and financial institutions	746,761,801	246,590,418	280,000,000	-	-	1,273,352,219
Money at call and on short notice	367,150,308	150,000,000	-	-	-	517,150,308
Investments	812,616,315	2,595,178,450	2,675,798,551	172,695,707	45,000,000	6,301,289,023
Loans and advances	1,555,434,442	6,177,245,185	13,007,763,390	10,235,559,200	313,249,000	31,289,251,217
Fixed assets including premises, furniture and fixtures	7,579,853	34,683,570	80,162,689	696,793,825	329,242,653	1,148,462,590
Other assets	134,052,471	392,116,280	2,195,141,774	1,491,449,727	-	4,212,760,251
Non-banking assets	-	-	-	-	-	-
Total Assets	4,143,424,393	12,323,056,314	18,238,866,404	12,596,498,458	687,491,653	47,989,337,222
Liabilities						
Borrowings from Bangladesh Bank, other banks, financial institutions, and agents						
	760,877,122	509,000,000	16,717,896	10,783,211	-	1,297,378,229
Deposits and other accounts	3,568,697,780	11,801,299,640	16,515,333,184	9,982,366,390	209,298,423	42,076,995,417
Provision and other liabilities	205,455,487	302,188,239	437,736,023	1,086,820,915	-	2,032,200,664
Total Liabilities	4,535,030,389	12,612,487,879	16,969,787,103	11,079,970,516	209,298,423	45,406,574,310
Net Liquidity Excess/(shortage)	(391,605,995)	(289,431,565)	1,269,079,301	1,516,527,942	478,193,230	2,582,762,912

for Arab Bangladesh Bank Limited

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Vice Chairman

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Dated, 07 May 2007

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Arab Bangladesh Bank Limited
Notes to financial statements for the year ended 31 December 2006

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 68 branches all over Bangladesh including 1 Islami banking branch, 1 overseas branch in 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. The Bank carries out all kinds of commercial banking activities/services through its branches and has expanded its investment oriented service horizon to its customers through its 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.

ABBL started its philanthropic activities as a part of its corporate social responsibilities through Arab Bangladesh Bank Foundation (ABBF), a company limited by shares, incorporated in Bangladesh on 03 November 2003 under the Companies Act 1994 and registered with the Registrar of Joint Stock Companies. ABBF is also a member of Dhaka Stock Exchange Ltd and Chittagong Stock Exchange Ltd and provides stock broking services to its clients.

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, the Companies Act 1994, the 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.

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.

Arab Bangladesh Bank Limited
Notes to financial statements for the year ended 31 December 2006

Islami Banking Branch

Islami banking branch has maintained separate set of books and records for its operation. All assets - liabilities and income-expenditures of this branch are incorporated in similar heads of account of the Bank's financial statements. Balance Sheet and Profit and Loss Statement of the branches are shown separately in Annexes B/1 and B/2.

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 2006 have been converted into Taka currency at the average of the prevailing buying and selling rates of the relevant 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 is 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	2.50%
Furniture and fixtures	10%
Office appliances	20%
Electrical appliances	20%
Motor vehicles	20%
Leasehold assets - vehicles	20%

2.5 Investment

The Bank's investment in treasury bills is stated at present value, less unearned interest accrued thereon. Unearned interest is recognised as income on accrual basis and taken to Profit and Loss Statement in proportion to the period 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 being lower than market price and unquoted shares has been stated at cost price.

2.6 Loans and advances

- a) Loans and advances are stated at gross amounts at 31 December 2006.
- 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 is kept in interest suspense account as per Bangladesh Bank BCD circular no. 34 of 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 of 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 2006

- 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 of 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 adopted for provisions are stated below:

	<u>Rate (%)</u>
General provision on unclassified loans and advances	
Standard loans	
other than small enterprise	1
small enterprise	2
consumer financing	5
Special mention account	5
Specific provision on classified loans and advances	
Sub-standard	20
Doubtful	50
Bad/loss	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 considered 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 the employees at 10% of basic pay of each employee. These contributions are invested separately.

2.11 Staff gratuity

Employees of the Bank, who served the Bank for ten years or above are entitled to get gratuity benefit at rates determined by the Service Rules of the Bank. 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 2006 has not been ascertained. However, the Bank has provided Taka 20,000,000 as gratuity during the year.

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.

2.13 Provision for taxation

Though the Bank earned a profit during the year but no provision for income tax is required to be made for business income (income from banking operations) since its profit includes capital gain on sale of shares of listed companies amounting to Taka 760,914,061 excluding which it has no taxable income, considering taxable allowances and disallowances.

2.14 Deferred Tax

No provision is required to be made for the difference between the tax base and accounting written down value of the prescribed items of assets and liabilities.

Arab Bangladesh Bank Limited
Notes to financial statements for the year ended 31 December 2006

2.15 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 except as noted in note 33.1. There exist no unreconciled revenue items in Nostro accounts as of 31 December 2006. Full provision has been made against the debit (charge) entries remaining outstanding for more than three months as per Bangladesh Bank circular no. FEPD(FEMO)/01/2005-677 dated 13 September 2005.

2.16 Reporting period

These financial statements cover one calendar year from 01 January to 31 December 2006.

2.17 Set-off of assets and liabilities accounts

No accounts of assets and liabilities were set-off unless these were legally permitted.

2.18 Assets acquired under lease

Assets acquired under finance lease are shown as assets and depreciation is charged on those assets in consistence with that for depreciable assets of owned assets. A corresponding liability is shown in the Balance Sheet representing lease payments against those assets.

2.19 Off-balance sheet items

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

2.20 Related party transactions

- a) As of the Balance Sheet date, the Bank had 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 those connected with banking business, in respect of receiving cell phone service and renting branch premises.

2.21 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. Sajedur Seraj Vice Chairman	Member	With effect from 13 May 2006	ACIB, UK
3	Mr. Mohd. Tipu Sultan, FCA Director	Member	With effect from 25 July 2004	Chartered Accountant

During the year 2006, the audit committee conducted five (05) 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 of the Bank for the year 2006; and
- status of compliance of different rules and regulations.

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

Arab Bangladesh Bank Ltd**Notes to financial statements for the year ended 31 December 2006****2.22 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 1,590.

2.23 Name of Directors and the entities in which they had interest as at 31 December 2006

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 Bangladesh Telecom Ltd ii) Pacific Technologies Ltd iii) Pacific Motors Ltd iv) Pacific Radio Ltd v) Nayapara Tea Company Ltd vi) British Motors Bangladesh Ltd vii) German Motors Bangladesh Ltd viii) French Motors Bangladesh Ltd ix) Italian Motors Bangladesh 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 2006

Balance Sheet

Amounts in Taka

	At 31 Dec 2006	At 31 Dec 2005
3. Cash		
3.1 Cash in hand		
In local currency	499,285,531	430,754,767
In foreign currency	20,543,672	16,854,659
	519,829,203	447,609,426
3.2 Balance with Bangladesh Bank and its agent bank(s)		
Balance with Bangladesh Bank		
In local currency	1,814,976,297	1,151,101,814
In foreign currency	837,119,089	210,677,337
	2,652,095,387	1,361,779,151
Sonali Bank (as an agent bank of Bangladesh Bank) - local currency	75,147,024	126,026,731
	2,727,242,411	1,487,805,882
	3,247,071,614	1,935,415,308
3.3 Statutory deposits		
3.3.1 Cash reserve ratio and statutory liquidity ratio		

Cash reserve ratio and statutory liquidity ratio have been calculated and maintained in accordance with section 33 of Banking Companies Act 1991 and Bangladesh Bank BRPD's subsequent 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 cash reserve ratio, on the same liabilities is also maintained in the form of treasury bills, bonds and debentures including foreign currency 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	1,776,424,000	1,309,790,000
Actual reserve maintained	1,787,538,000	1,444,838,000
Surplus	11,114,000	135,048,000

(b) Statutory liquid reserve

Required reserve	4,618,701,000	3,405,450,000
Actual reserve maintained	5,010,126,000	3,576,158,092
Surplus	391,425,000	170,708,092

Total required reserve	6,395,125,000	4,715,240,000
Total actual reserve held with Bangladesh Bank	6,797,664,000	5,020,996,092
Total surplus	402,539,000	305,756,092

Arab Bangladesh Bank Limited

Notes to financial statements for the year ended 31 December 2006

	Amounts in Taka	
	At 31 Dec 2006	At 31 Dec 2005
4. Balance with other banks and financial institutions		
In Bangladesh (note 4.1)	230,470,168	58,756,465
Outside Bangladesh (note 4.2)	1,042,882,051	482,042,915
	1,273,352,219	540,799,380
4.1 In Bangladesh		
Current Deposit		
Standard Chartered Bank, Dhaka Main Branch	3,496,730	4,727,192
Agrani Bank, Laldighir Par Branch, Modhuban, Sylhet	313,330	313,330
Agrani Bank, Brahmanbaria Branch	29,668	29,283
Agrani Bank, Principal Branch	26,080	26,080
Agrani Bank, Thana Road Branch, Bogra	9,298	9,172
Islami Bank Bangladesh Ltd, Local Office	2,727	2,727
Agrani Bank, Bhairab Bazar Branch	1,579	1,579
Agrani Bank, Shaheb Bazar Branch, Rajshahi	340	450
	3,879,750	5,109,811
Short Term Deposit		
Agrani Bank, Rangpur Branch	8,739,212	4,006,818
Agrani Bank, Saidpur Branch	8,196,707	8,218,707
Agrani Bank, Jhikargachha Branch	7,214,114	18,834
Agrani Bank, Sir Iqbal Road Branch, Khulna	2,033,268	311,198
Agrani Bank, Chawk Bazar Branch, Barisal	138,508	106,145
Agrani Bank, Naogaon Branch	125,106	3,603,524
Islami Bank Bangladesh Ltd, Local Office	52,000	52,000
Agrani Bank, Jessore Branch	36,816	11,127
Agrani Bank, Moulvi Bazar Branch	30,356	4,310,745
Agrani Bank, Satkhira Branch	10,493	3,717
Agrani Bank, Court Road Branch, Narayanganj	3,837	3,837
	26,580,418	20,646,653
Savings Deposit		
Shahjalal Islami Bank Ltd, Foreign Exchange Branch	10,000	30,500,000
Fixed Deposit (Mudarabaha term deposits)		
Islamic Finance and Investment Ltd	200,000,000	-
Dhaka Bank Ltd, Islami Banking Branch	-	2,500,000
	200,000,000	2,500,000
	230,470,168	58,756,465

Arab Bangladesh Bank Ltd

Notes to financial statements for the year ended 31 December 2006

4.2 Balance with other banks and financial institutions - outside Bangladesh

Name of the bank	Location	Currency	At 31 December 2006			At 31 December 2005		
			Amounts in foreign currency	Conversion rate	Equivalent amounts in Taka	Amounts in foreign currency	Conversion rate	Equivalent amounts in Taka
UFJ Bank Ltd	Tokyo	YEN	-	0.5804	-	623,841	0.5617	350,410
The Bank of Tokyo Mitsubishi Ltd	Tokyo	YEN	3,555,668	0.5804	2,063,710	-	-	-
HSBC Plc	London	UKP	155,916	135.3296	21,100,082	251,090	113.6263	28,530,422
Lloyds TSB Bank Plc	London	UKP	69,893	135.3296	9,458,585	49,325	113.6263	5,604,592
HSBC	Mumbai	ACUD	97,676	69.0651	6,745,975	34,971	66.2100	2,315,403
JP Morgan Chase Bank	New York	USD	352,574	69.0651	24,350,528	-	-	-
Sonali Bank	Kolkata	ACUD	5,793	69.0651	400,125	13,481	66.2100	892,576
Myanmar Economic Bank	Yangon	USD	410	69.0651	28,317	410	66.2100	27,146
Citibank NA	New York	USD	433,087	69.0651	29,911,169	2,608	66.2100	172,692
Hatton National Bank Ltd	Colombo	ACUD	30,336	69.0651	2,095,193	29,592	66.2100	1,959,292
Commerz Bank AG	Frankfurt	USD	22,906	69.0651	1,581,982	4,041	66.2100	267,563
State Bank of India	Kolkata	ACUD	15,725	69.0651	1,086,071	15,725	66.2100	1,041,173
NDLC-IFIC Bank Ltd	Karachi	ACUD	286,739	69.0651	19,803,654	36,512	66.2100	2,417,471
Lloyds TSB Bank Plc	London	USD	7,719	69.0651	533,100	4,863	66.2100	321,967
Mashreq Bank Psc	New York	USD	40,578	69.0651	2,802,513	20,311	66.2100	1,344,767
Arab Bangladesh Bank Ltd	Mumbai	ACUD	138,984	69.0651	9,598,967	-	-	-
Nepal Bangladesh Bank Ltd	Katmandu	ACUD	29,564	69.0651	2,041,841	24,414	66.2100	1,616,451
Bank of Bhutan	Phuentsholing	ACUD	16,820	69.0651	1,161,692	49,405	66.2100	3,271,088
HSBC Plc	London	USD	28,324	69.0651	1,956,171	2,628	66.2100	173,973
BCCI	London	USD	6,542	69.0651	451,831	6,542	66.2100	433,153
Wachovia Bank	New York	USD	98,113	69.0651	6,776,218	6,580	66.2100	435,678
American Express Bank Ltd	New York	USD	127,975	69.0651	8,838,634	24,634	66.2100	1,631,011
HSBC	New York	USD	769,596	69.0651	53,152,250	77,621	66.2100	5,139,263
Habib America Bank	New York	USD	384,167	69.0651	26,532,525	-	-	-
Commerz Bank AG	Frankfurt	EURO	237,396	91.1797	21,645,717	-	-	-
Hypovereins Bank	Humburgh	EURO	46,928	91.1797	4,278,879	27,542	78.3695	2,158,434
Reserve Bank of India	Mumbai	INR	7,736,673	1.5646	12,104,799	6,212,250	1.4682	9,120,825
Other commercial banks in India	Mumbai	INR	26,686,168	1.5646	41,753,178	49,541,811	1.4682	72,737,287
Balance with ABBL, Mumbai Branch	Mumbai	INR	238,537,936	1.5646	373,216,454	78,304,234	1.4682	114,966,276
AB International Finance Ltd	Hong Kong	USD	5,175,000	69.0651	357,411,893	3,400,000	66.2100	225,114,000
					1,042,882,051			482,042,915

Arab Bangladesh Bank Ltd

Notes to financial statements for the year ended 31 December 2006

	Amounts in Taka	
	At	At
	31 Dec 2006	31 Dec 2005
4.3 Account-wise/grouping of balance with other banks and financial institutions		
Current deposit	1,046,761,801	487,152,727
Savings deposit	10,000	30,500,000
Short-term deposit	26,580,418	20,646,653
Fixed deposit	200,000,000	2,500,000
	1,273,352,219	540,799,380
4.4 Maturity grouping of balance with other banks		
Repayable – on demand	746,761,801	487,152,727
– upto 3 months	246,590,418	51,146,653
– over 3 months but below 1 year	280,000,000	2,500,000
– over 1 year but below 5 years	-	-
– over 5 years	-	-
	1,273,352,219	540,799,380
5. Money at call and on short notice		
<u>With banking companies</u>		
Eastern Bank Ltd	150,000,000	-
Agrani Bank, Principal Branch	332,941	150,517
Southeast Bank Ltd, Principal Branch	49,267	49,266
Sonali Bank	-	200,000,000
Jamuna Bank Ltd	-	100,000,000
	150,382,208	300,199,783
<u>With non-banking financial institutions</u>		
International Leasing and Financial Services Ltd	150,000,000	-
People's Leasing and Financial Services Ltd	100,000,000	-
First Lease International Ltd	80,000,000	-
Industrial and Infrastructure Development Finance Co. Ltd	-	50,000,000
	330,000,000	50,000,000
On calls and placements -ABBL, Mumbai Branch	36,768,100	39,641,400
	517,150,308	389,841,183
<u>At short notice</u>		
Agrani Bank, Principal Branch	332,941	150,517
Southeast Bank Ltd, Principal Branch	49,267	49,266
	382,208	199,783
<u>On calls and placements</u>		
International Leasing and Financial Services Ltd	150,000,000	-
Eastern Bank Ltd	150,000,000	-
People's Leasing and Financial Services Ltd	100,000,000	-
First Lease International Ltd	80,000,000	-
ABBL, Mumbai Branch	36,768,100	39,641,400
Jamuna Bank Ltd	-	100,000,000
Sonali Bank	-	200,000,000
Industrial and Infrastructure Development Finance Co. Ltd	-	50,000,000
	516,768,100	389,641,400
	517,150,308	389,841,183
6. Investments		
6.1 Government securities		
A) Treasury bills - (*)		
91 days' treasury bills	2,298,797,000	-
2 years' treasury bills	-	1,020,000,000
5 years' treasury bills	2,068,786,007	2,160,000,000
	4,367,583,007	3,180,000,000

Arab Bangladesh Bank Ltd

Notes to financial statements for the year ended 31 December 2006

	Amounts in Taka	
	At	At
	31 Dec 2006	31 Dec 2005
6.2.1 Others		
In shares (quoted and unquoted)		
<u>Quoted</u>		
Powergrid Company Ltd	504,294,090	-
International Finance Investment and Commerce Bank Ltd	373,443,726	-
Beximco Pharma Ltd	40,292,685	-
Fareast Life Insurance Co. Ltd	38,929,365	35,034,867
Square Pharmaceuticals Ltd	34,165,882	38,369,793
Southeast Bank Ltd	32,457,657	33,265,643
Mutual Trust Bank Ltd	24,564,091	14,882,355
Prime Bank Ltd	21,806,436	22,094,544
Beximco Ltd	21,035,000	151,175,000
United Commercial Bank Ltd	19,586,932	10,670,506
Uttara Bank Ltd	18,673,845	17,223,903
Summit Power Ltd	13,617,955	-
Heidelberg Cement Ltd	11,803,221	-
Standard Bank Ltd	11,047,158	5,101,677
Exim Bank Ltd	10,824,950	40,703,688
Square Textiles Ltd	10,245,608	795,911
One Bank Ltd	9,822,891	6,034,028
Bank Asia Ltd	8,811,819	3,549,467
Bangladesh Online Ltd	7,867,950	-
National Tubes Ltd	7,859,999	2,721,003
United Leasing Company Ltd	7,378,202	3,075,227
Jamuna Bank Ltd	6,555,550	-
The City Bank Ltd	6,438,110	-
Mercantile Bank Ltd	5,936,986	17,626,413
Uttara Finance and Investments Ltd	5,284,438	246,564
Apex Adelchi Ltd	4,885,660	-
Islami Bank Bangladesh Ltd	4,631,666	17,217,930
Lafarge Surma Cement Ltd	3,973,775	100,000,000
JMI Bangla Company Ltd	3,960,000	3,960,000
Popular Life Insurance Co. Ltd	3,882,118	6,559,525
Bextex Ltd	3,428,471	484,385
Meghna Life Insurance Co. Ltd	3,184,858	3,056,866
National Life Insurance Co. Ltd	3,033,104	1,760,168
NCC Bank Ltd	2,800,181	2,451,936
Premier Leasing Co. Ltd	2,758,012	1,844,660
Eastern Bank Ltd	2,632,815	32,564,871
Eastern Cables Ltd	2,448,449	415,246
Industrial Development and Leasing Company of Bangladesh Ltd	2,252,996	278,828
Prime Finance and Investment Co. Ltd	1,817,325	-
Islamic Finance and Investment Co. Ltd	1,453,702	447,696
Usmania Glass Sheet Factory Ltd	1,315,289	-
MIDAS Financing Ltd	647,425	-
Renata Ltd	136,136	136,136
Intech Online Ltd	750	-
Dhaka Bank Ltd	-	490,980
	<u>1,301,987,278</u>	<u>574,239,816</u>
<u>Unquoted</u>		
National Housing Finance and Investments Ltd	-	20,000,000
Arab Bangladesh Bank Foundation	19,920,000	-
Central Depository Bangladesh Ltd	10,000,000	10,000,000
Industrial and Infrastructure Development Finance Company Ltd	-	10,000,000
	<u>29,920,000</u>	<u>40,000,000</u>
	<u>1,331,907,278</u>	<u>614,239,816</u>

Arab Bangladesh Bank Ltd

Notes to financial statements for the year ended 31 December 2006

Further details of investment in shares are as under:

6.2.1.1 Shares (quoted)

Particulars	Number of shares	Market price per share/ Taka	Total market price/ Taka	Total cost/ Taka
Eastern Bank Ltd	3,400	792.50	2,694,500	2,632,815
Lafarge Surma Cement Ltd	10,000	391.75	3,917,500	3,973,775
Bank Asia Ltd	27,050	428.00	11,577,400	8,811,819
The City Bank Ltd	11,345	624.25	7,082,116	6,438,110
JMI Bangla Company Ltd	39,600	48.00	1,900,800	3,960,000
Mercantile Bank Ltd	20,094	354.25	7,118,300	5,936,986
IFIC Bank Ltd	410,052	951.00	389,959,452	373,443,726
Jamuna Bank Ltd	26,450	285.75	7,558,088	6,555,550
Renata Ltd	331	3,099.25	1,025,852	136,136
Square Pharmaceuticals Ltd	16,161	2,265.00	36,604,665	34,165,882
Square Textiles Ltd	139,118	74.90	10,419,938	10,245,608
Standard Bank Ltd	44,978	288.00	12,953,664	11,047,158
Uttara Finance and Investments Ltd	10,100	511.00	5,161,100	5,284,438
Exim Bank Ltd	37,642	336.75	12,675,944	10,824,950
Islami Bank Bangladesh Ltd	1,338	3,688.25	4,934,879	4,631,666
Mutual Trust Bank Ltd	70,594	342.25	24,160,797	24,564,091
NCC Bank Ltd	10,317	289.25	2,984,192	2,800,181
Prime Bank Ltd	45,350	528.75	23,978,813	21,806,436
Southeast Bank Ltd	102,250	320.75	32,796,688	32,457,657
One Bank Ltd	37,275	285.75	10,651,331	9,822,891
United Commercial Bank Ltd	17,325	1,481.75	25,671,319	19,586,932
Uttara Bank Ltd	12,715	2,312.25	29,400,259	18,673,845
National Tubes Ltd	6,050	1,024.00	6,195,200	7,859,999
Eastern Cables Ltd	10,520	232.50	2,445,900	2,448,449
Haidelbergh Cement Ltd	17,085	647.25	11,058,266	11,803,221
Bextex Ltd	148,640	22.40	3,329,536	3,428,471
Beximco Ltd	375,690	35.50	13,336,995	21,035,000
Beximco Pharma Ltd	789,500	53.70	42,396,150	40,292,685
Apex Adelchi Ltd	11,660	465.25	5,424,815	4,885,660
Fareast Life Insurance Co. Ltd	58,040	690.00	40,047,600	38,929,365
Prime Finance and Investment Co. Ltd	6,400	281.00	1,798,400	1,817,325
MIDAS Financing Ltd	3,355	222.25	745,649	647,425
Bangladesh Online Ltd	146,000	52.40	7,650,400	7,867,950
Intech Online Ltd	236	14.60	3,446	750
Usmania Glass Sheet Factory Ltd	1,655	824.50	1,364,548	1,315,289
National Life Insurance Co. Ltd	2,950	1,176.75	3,471,413	3,033,104
United Leasing Company Ltd	12,560	555.50	6,977,080	7,378,202
Popular Life Insurance Co. Ltd	5,600	752.00	4,211,200	3,882,118
Summit Power Ltd	27,445	529.75	14,538,989	13,617,955
Powergrid Company Ltd	2,658,750	249.50	663,358,125	504,294,090
Meghna Life Insurance Co. Ltd	6,100	394.00	2,403,400	3,184,858
Premier Leasing Co. Ltd	10,580	178.25	1,885,885	2,758,012
Industrial Development and Leasing Company of Bangladesh Ltd	2,520	784.25	1,976,310	2,252,996
Islamic Finance and Investment Co. Ltd	5,355	191.50	1,025,483	1,453,702
			<u>1,500,872,382</u>	<u>1,301,987,278</u>

Arab Bangladesh Bank Ltd

Notes to financial statements for the year ended 31 December 2006

Amounts in Taka

At	At
31 Dec 2006	31 Dec 2005

6.2.1.2 Shares (unquoted)

Particulars	Number of shares	Face value/ Taka	Book value/cost/ Taka
Arab Bangladesh Bank Foundation	199,200	100	19,920,000
Central Depository Bangladesh Ltd	10	1,000,000	10,000,000
			<u>29,920,000</u>

6.3 Maturity grouping

Repayable – on demand	812,616,315	5,061,000
– upto 3 months	2,595,178,450	425,102,370
– over 3 months but below 1 year	2,675,798,551	1,359,199,672
– over 1 year but below 5 years	172,695,707	2,221,583,900
– over 5 years	45,000,000	50,000,000
	<u>6,301,289,023</u>	<u>4,060,946,942</u>

7. Loans and advances

7.1 Maturity grouping

Repayable – on demand	1,057,162,800	693,635,360
– upto 3 months	5,086,800,000	2,265,610,931
– over 3 months but below 1 year	12,793,463,780	11,109,407,395
– over 1 year but below 5 years	10,235,559,200	5,563,862,072
– over 5 years	313,249,000	862,244,000
	<u>29,486,234,780</u>	<u>20,494,759,758</u>

7.2 Broad category-wise breakup

In Bangladesh

Loans	19,025,643,669	11,443,380,641
Overdrafts	10,129,500,000	8,750,754,863
Cash credits	-	-
	<u>29,155,143,669</u>	<u>20,194,135,504</u>

Outside Bangladesh: ABBL, Mumbai Branch

Loans	299,732,728	249,899,631
Overdrafts	31,358,383	50,724,623
Cash credits	-	-
	<u>331,091,111</u>	<u>300,624,254</u>
	<u>29,486,234,780</u>	<u>20,494,759,758</u>

7.3 Significant concentration

Advances to allied concerns of Directors	-	-
Advances to Chief Executive	5,042,458	5,104,802
Advances to industries	7,885,753,981	3,512,858,466
Advances to customer groups	21,595,438,341	16,976,796,490
	<u>29,486,234,780</u>	<u>20,494,759,758</u>

Arab Bangladesh Bank Ltd
Notes to financial statements for the year ended 31 December 2006

	Amounts in Taka	
	At 31 Dec 2006	At 31 Dec 2005
7.4 Industry-wise loans and advances		
Agriculture	211,300,000	20,500,000
Large and medium scale industry	2,604,700,000	1,064,900,000
Working capital	4,952,500,000	2,175,800,000
Export	870,600,000	450,500,000
Commercial lending	12,300,737,874	9,669,325,857
Small and cottage industry	41,600,000	28,300,000
Others	8,504,796,906	7,085,433,901
	29,486,234,780	20,494,759,758
7.5 Advances to customers for more than 10% of Bank's total capital		
Total capital of the Bank	2,664,171,815	1,727,437,898
Number of clients	71	47
Amount of outstanding advances	10,578,700,000	6,204,200,000
Amount of classified advances	-	-
Measures taken for recovery	Not applicable	Not applicable
7.6 Classification of loans and advances		
<u>Unclassified</u>		
Standard	28,021,446,780	18,655,900,118
Special mention account	206,273,000	82,907,000
Total unclassified loans and advances	28,227,719,780	18,738,807,118
<u>Classified</u>		
Substandard	56,471,000	109,340,000
Doubtful	81,458,000	97,442,640
Bad/Loss	1,120,586,000	1,549,170,000
Total classified loans and advances	1,258,515,000	1,755,952,640
	29,486,234,780	20,494,759,758
7.7 Particulars of loans and advances		
(i) Loans considered good in respect of which the Bank is fully secured	24,399,434,780	17,466,959,758
(ii) Loans considered good against which the Bank holds no security other than the debtors' personal guarantee	-	-
(iii) Loans considered good and secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors [note 7.7 (a)]	5,086,800,000	3,027,800,000
(iv) Loans adversely classified but provision not maintained thereagainst	-	-
	29,486,234,780	20,494,759,758
(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)]	149,969,000	116,867,000

Arab Bangladesh Bank Ltd

Notes to financial statements for the year ended 31 December 2006

		Amounts in Taka	
		At 31 Dec 2006	At 31 Dec 2005
(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)]	149,969,000	116,867,000
(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	-	-
(ix)	Due from other banking companies	-	-
(x)	Amount of classified loans on which interest has not been charged		
(a)	Increase/decrease of provision (specific)	40,436,000	20,714,241
	Amount of loan written off	126,405,000	285,866,000
	Amount realised against loan previously written off	118,870,000	19,600,000
(b)	Provision kept against loans classified as bad /loss on the date of preparing the balance sheet	415,590,160	375,154,160
(c)	Interest charged to interest suspense account	148,948,165	130,023,689
(xi)	Written off loan		
	During the year	126,405,000	285,866,000
	Cumulative to-date (as per Bangladesh Bank guidelines)	3,737,200,000	3,737,200,000
	Cumulative to-date (in amicable settlement)	419,365,106	292,960,106
		4,156,565,106	4,030,160,106
	The amount of written off loans for which lawsuits have been filed for its recovery	119,165,000	280,473,000
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.		

Arab Bangladesh Bank Ltd
Notes to financial statements for the year ended 31 December 2006

Amounts in Taka

	At 31 Dec 2006	At 31 Dec 2005
7.8 Geographical location-wise (division) distribution		
In Bangladesh:		
Urban branches (55 branches)		
Dhaka	16,758,130,622	11,533,271,356
Chittagong	8,522,888,964	5,294,469,550
Khulna	1,107,981,773	777,391,883
Sylhet	786,273,068	516,954,867
Barisal	129,775,863	130,966,179
Rajshahi	782,364,331	610,057,624
	<u>28,087,414,621</u>	<u>18,863,111,459</u>
Rural branches (13 branches)		
Dhaka	630,386,639	661,297,554
Chittagong	211,886,536	306,646,793
Khulna	59,175,166	147,910,658
Sylhet	166,280,707	215,169,040
Barisal	-	-
Rajshahi	-	-
	<u>1,067,729,048</u>	<u>1,331,024,045</u>
	<u>29,155,143,669</u>	<u>20,194,135,504</u>
Outside Bangladesh:		
ABBL, Mumbai Branch	331,091,111	300,624,254
	<u>29,486,234,780</u>	<u>20,494,759,758</u>
7.9 Securities against loans and advances		
<u>Nature of security</u>		
Collateral of movable/immovable assets	??	??
Cash collateral	??	??
Banks and financial institutions guarantee	??	??
Government guarantee	??	??
Personal guarantee	??	??
Corporate guarantee	??	??
Export documents	??	??
Other securities	??	??
	<u>??</u>	<u>??</u>
8. Bills purchased and discounted		
In Bangladesh	1,542,250,376	688,149,152
Outside Bangladesh - ABBL, Mumbai Branch	260,766,061	201,724,990
	<u>1,803,016,437</u>	<u>889,874,142</u>
8.1 Maturity grouping		
Repayable – within 1 month	498,271,642	258,591,951
– over 1 month but within 3 months	1,090,445,185	586,966,459
– over 3 months but within 6 months	214,299,610	44,315,732
– over 6 months	-	-
	<u>1,803,016,437</u>	<u>889,874,143</u>
9. Fixed assets including premises, furniture and fixtures	<u>1,148,462,590</u>	<u>370,056,970</u>
Details are shown in <u>Annex A.</u>		

Arab Bangladesh Bank Ltd

Notes to financial statements for the year ended 31 December 2006

	Amounts in Taka	
	At 31 Dec 2006	At 31 Dec 2005
10. Other assets		
Income generating		
In Bangladesh:		
Shares in Chittagong Stock Exchange Ltd	-	5,000,000
Outside Bangladesh:		
AB International Finance Ltd, Hong Kong (wholly owned subsidiary company of ABBL)	5,203,944	5,203,944
	<u>5,203,944</u>	<u>10,203,944</u>
Non-income generating		
Inter-branch adjustment	1,751,654,641	2,716,975,928
Advance corporate income tax (note 10.1)	774,073,376	706,984,729
Accounts receivable	335,941,109	261,657,884
Preliminary, formation, organisational, renovation, development, prepaid expenses and others	641,638,879	262,643,014
Exchange for clearing	365,709,493	212,807,590
Interest accrued on investment but not collected, commission and brokerage receivable on shares and debentures, and other income receivables	117,430,890	25,686,970
Security deposits	79,080,241	76,593,394
Local drafts paid without advice	68,625,077	47,236,894
Advance rent and advertisement	43,703,914	42,813,085
Stationery, stamps, printing materials, etc	17,725,357	13,225,383
Accrued income with subsidiary company	10,655,520	5,123,700
Interest on bearer certificates of deposit	1,317,810	1,756,357
	<u>4,207,556,307</u>	<u>4,373,504,928</u>
	<u>4,212,760,251</u>	<u>4,383,708,872</u>
10.1 Advance corporate income tax		
In Bangladesh:		
Balance at 01 January	440,810,128	363,856,638
<u>Add:</u> Paid during the year	161,664,236	55,614,124
<u>Add:</u> Tax withheld during the year	33,344,540	50,023,593
	195,008,776	105,637,717
<u>Less:</u> Settlement during the year	-	28,684,227
Balance at 31 December	635,818,904	440,810,128
Advance tax paid by ABBL, Mumbai Branch	138,254,472	266,174,601
	<u>774,073,376</u>	<u>706,984,729</u>
11. Borrowings from other banks, financial institutions and agents		
In Bangladesh (note 11.1)	1,297,378,229	1,694,965,338
Outside Bangladesh (note 11.2)	-	215,565,110
	<u>1,297,378,229</u>	<u>1,910,530,448</u>

Arab Bangladesh Bank Ltd
Notes to financial statements for the year ended 31 December 2006

	Amounts in Taka	
	At 31 Dec 2006	At 31 Dec 2005
11.1 In Bangladesh		
<u>Bangladesh Bank refinance</u>		
ADB loan	27,501,107	47,965,338
Agrobased Technological Development Projects' loan (ATDP)	-	387,000,000
Cash assistance	25,877,122	-
	53,378,229	434,965,338
<u>Call and Term Borrowing from</u>		
Jamuna Bank Ltd	-	120,000,000
Agrani Bank	50,000,000	200,000,000
Rupali Bank Ltd	500,000,000	-
Eastern Bank Ltd	159,000,000	-
The City Bank Ltd	-	250,000,000
United Commercial Bank Ltd	-	300,000,000
Mutual Trust Bank Ltd	250,000,000	-
National Bank Ltd	-	150,000,000
First Security Bank Ltd	100,000,000	-
Bank of Small Industries and Cottage	100,000,000	-
Prime Bank Ltd	-	20,000,000
Bangladesh Commerce Bank Ltd	-	150,000,000
Industrial Development and Leasing Company of Bangladesh Ltd	85,000,000	70,000,000
	1,244,000,000	1,260,000,000
	1,297,378,229	1,694,965,338
11.1.1 Analysis by security		
Secured (assets pledge as security for liabilities)	-	-
Unsecured	1,297,378,229	1,910,530,448
	1,297,378,229	1,910,530,448
11.1.2 Repayment pattern		
Repayable on demand	760,877,122	1,305,565,110
Repayable on maturity (note 11.1.2a)	536,501,107	604,965,338
	1,297,378,229	1,910,530,448
11.1.2a Repayable on maturity		
Bangladesh Bank refinance:		
ADB loan	27,501,107	47,965,338
ATDP loan	-	387,000,000
	27,501,107	434,965,338
Term borrowing:		
Jamuna Bank Ltd	-	120,000,000
Eastern Bank Ltd	159,000,000	-
Mutual Trust Bank Ltd	250,000,000	-
First Security Bank Ltd	100,000,000	-
Bangladesh Commerce Bank Ltd	-	50,000,000
	509,000,000	170,000,000
	536,501,107	604,965,338

Arab Bangladesh Bank Ltd**Notes to financial statements for the year ended 31 December 2006****11.2 Borrowings from other banks, financial institutions and agents - outside Bangladesh**

Name of the bank	Location	Currency	At 31 December 2006			At 31 December 2005		
			Amounts in foreign currency	Conversion rate	Equivalent amounts in Taka	Amounts in foreign currency	Conversion rate	Equivalent 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
ABBL, Mumbai Branch	Mumbai	ACUD	-	-	-	1,031,937	66.2100	68,324,567
Commerz Bank AG	Frankfurt	EURO	-	-	-	118,116	78.3695	9,256,728
					-			215,565,110

Arab Bangladesh Bank Limited
Notes to financial statements for the year ended 31 December 2006

	Amounts in Taka	
	At	At
	31 Dec 2006	31 Dec 2005
12. Deposit and other accounts		
Inter-bank deposits	4,891,839,511	150,307,146
Other deposits	37,185,155,906	27,211,135,008
	42,076,995,417	27,361,442,154
12.1 Maturity analysis of inter-bank deposits		
Repayable – on demand	20,263,040	3,438,816
– within 1 month	501,576,471	146,868,330
– over 1 month but within 3 months	3,820,000,000	-
– over 3 months but within 1 year	550,000,000	-
– over 1 year but within 5 years	-	-
– over 5 years but within 10 years	-	-
– over 10 years	-	-
	4,891,839,511	150,307,146
12.2 Maturity analysis of other deposits		
Repayable – on demand	1,227,618,337	103,164,972
– within 1 month	1,819,239,932	1,638,787,842
– over 1 month but within 3 months	7,981,299,640	5,294,605,673
– over 3 months but within 1 year	15,965,333,184	13,788,570,677
– over 1 year but within 5 years	9,982,366,390	6,386,005,843
– over 5 years but within 10 years	209,298,423	-
– over 10 years	-	-
	37,185,155,906	27,211,135,008
	42,076,995,417	27,361,442,154
13. Other liabilities		
Accumulated provision against loans and advances (note 13.1)	773,721,040	590,964,999
Accrued profit on investment - Islami banking branch	5,939,681	1,340,312
Unearned interest on treasury bills and other bonds	-	222,871,409
Provision for corporate taxation (note 13.2)	487,759,621	626,164,903
Interest suspense account (note 13.3)	189,967,306	208,928,141
Retained revenue with ABBL, Mumbai Branch	85,809,142	71,133,468
Provision against other assets (note 13.4)	36,488,215	191,950,558
Exchange equalisation account	47,966,966	47,966,966
Accounts payable - Bangladesh Bank	61,660,356	130,103,670
Accrued expenses	20,611,776	12,081,026
Provision for gratuity (note 13.5)	29,614,872	10,000,000
Provision against investments	16,000,000	-
Obligation under finance lease (note 13.6)	24,707,109	-
Exchange fluctuation adjustment account - ABBL, Mumbai Branch	99,815,120	64,164,221
Others (*)	152,139,460	88,880,444
	2,032,200,664	2,266,550,116

(*) Others includes provision for audit fee, payroll tax, excise duty, income tax and VAT deducted at source, unclaimed dividend, accounts payable for safe keeping, earnest and security money, etc.

Arab Bangladesh Bank Limited

Notes to financial statements for the year ended 31 December 2006

Amounts in Taka

13.1 Accumulated provision against loans and advances

On classified loans

	At 31 Dec 2006	At 31 Dec 2005
Balance at 01 January	374,999,999	354,109,542
<u>Less</u> : Fully provided debts written off during the year	1,339,839	165,420,600
<u>Add</u> : Recovery of amounts previously written off	430,000	4,199,545
<u>Add</u> : Specific provision made for the year	35,000,000	182,111,511
<u>Less</u> : Transfer to general provision	3,500,000	-
<u>Add</u> : Transfer from provision for other assets	10,000,000	-
<u>Less</u> : Recoveries and provision no longer required	-	-
<u>Add</u> : Net charge to Profit and Loss Statement	-	-
	<u>40,590,161</u>	<u>20,890,457</u>
Balance at 31 December	415,590,160	374,999,999
Provision made by ABBL, Mumbai Branch	-	154,161
Total provision on classified loans and advances	<u>415,590,160</u>	<u>375,154,160</u>

On unclassified loans

Balance at 01 January	215,000,000	185,000,000
Add : Transfer from specific provision	3,500,000	-
<u>Add</u> : Transfer from provision for other assets	10,000,000	-
<u>Less</u> : Recoveries and provision no longer required	-	-
<u>Add</u> : General provision made for the year	127,500,000	30,000,000
<u>Add</u> : Transfer from provision for investment	-	-
	<u>141,000,000</u>	<u>30,000,000</u>
Balance at 31 December	356,000,000	215,000,000
Provision made by ABBL, Mumbai Branch	2,130,880	810,838
Total provision on un-classified loans and advances	<u>358,130,880</u>	<u>215,810,838</u>
Total provision on loans and advances	<u>773,721,040</u>	<u>590,964,999</u>

<u>Provision for</u>	<u>Required</u>	<u>Maintained</u>	<u>Excess/(Shortage)</u>
Un-classified loans and advances	335,200,000	358,130,880	22,930,880
Classified loans and advances	404,000,000	415,590,160	11,590,160
	<u>739,200,000</u>	<u>773,721,040</u>	<u>34,521,040</u>

13.2 Provision for corporate taxation

Balance at 01 January	391,614,951	146,614,951
<u>Add</u> : Provision made during the year	-	245,000,000
Current tax	-	245,000,000
Deferred tax	-	-
<u>Less</u> : Adjustment during the year	-	-
Balance at 31 December	391,614,951	391,614,951
Provision made by ABBL, Mumbai Branch	96,144,670	234,549,952
	<u>487,759,621</u>	<u>626,164,903</u>

Tax return for the year 2006 has not yet fallen due for filing and tax provision for that year (assessment year 2007-2008) has not been made by the Bank 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 filing reference applications before the High Court. Assessment for the financial year 2004 has been disputed by the Bank in appeal. Assessment for the financial year 2005 is under process.

Arab Bangladesh Bank Limited
Notes to financial statements for the year ended 31 December 2006

14.4 Classification of shareholders by holding

Holding	No. of holders		% of total holding	
	2006	2005	2006	2005
Upto 500	6,555	4,979	94.85	90.07
501 to 5,000	279	445	4.04	8.05
5,001 to 10,000	26	36	0.38	0.65
10,001 to 20,000	12	28	0.17	0.51
20,001 to 30,000	5	5	0.07	0.09
30,001 to 40,000	5	7	0.07	0.13
40,001 to 50,000	4	3	0.06	0.05
50,001 to 100,000	8	10	0.12	0.18
100,001 to 1,000,000	17	15	0.25	0.27
Over 1,000,000	-	-	-	-
	6,911	5,528	100.00	100.00

14.5 Names of the Directors and their shareholding as on 31 December 2006

Name of the Director	Status	Shareholding	
		At 31 Dec 2006	At 31 Dec 2005
Mr. Faisal M Khan	Chairman	11,424	10,386
Mr. Sajedur Seraj	Vice-Chairman	168,236	133,510
Mr. Syed Golam Kibria (government-nominated)	Director	32,827	32,083
Mr. Golam Sarwar	Director	138	126
Mr. S M Salahuddin	Director	-	-
Mr. Mohd. Tipu Sultan, FCA	Director	121	110
Mr. D. S. Faisal Hyder	Director	121	110
Mr. Kaiser A. Chowdhury	Ex-officio	-	-

14.6 Capital adequacy ratio

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 2006 is Taka 2,596,861,607 as against available core capital of Taka 1,941,365,073 and supplementary capital of Taka 722,806,742, that is, a total of Taka 2,664,171,815 thereby showing surplus capital/equity of Taka 67,310,208 at that date. Details are shown below:

	Amounts in Taka	
	At 31 Dec 2006	At 31 Dec 2005
14.6.1 Core capital (Tier I)		
Paid-up capital	571,740,000	519,763,600
Non-repayable share premium account	343,900	343,900
Statutory reserve	772,867,621	650,203,611
General and other reserve	41,855,300	49,343,669
Retained earnings	554,558,252	180,785,572
Non-cumulative irredeemable preference share	-	-
Dividend equalisation account	-	-
	1,941,365,073	1,400,440,352

Arab Bangladesh Bank Limited
Notes to financial statements for the year ended 31 December 2006

	Amounts in Taka	
	At	At
	31 Dec 2006	31 Dec 2005
14.6. Supplementary capital (Tier II)		
General provision (1% on unclassified loans)	358,130,880	215,810,838
Assets revaluation reserves	316,708,896	63,219,743
All other preference shares	-	-
Perpetual subordinated debts	-	-
Exchange equalisation account	47,966,966	47,966,966
	722,806,742	326,997,547
Total Capital	2,664,171,815	1,727,437,898
Total assets including off-Balance Sheet items	69,101,616,741	47,727,920,733
Total risk-weighted assets	28,854,017,851	18,830,195,576
Required capital (9% of risk-weighted assets)	2,596,861,607	1,694,717,602
<u>Actual capital maintained</u>		
Core capital, Tier-I (note 14.6.1)	1,941,365,073	1,400,440,352
Supplementary capital, Tier II (note 14.6.2)	722,806,742	326,997,547
	2,664,171,815	1,727,437,898
Surplus	67,310,208	32,720,296
Capital adequacy ratio	9.23%	9.17%

14.7 Capital requirement

	At 31 Dec 2006		At 31 Dec 2005	
	Required	Holding	Required	Holding
Core capital	4.5%	6.73%	4.5%	7.44%
Total	9.00%	9.23%	9.00%	9.17%

	Amounts in Taka	
	At	At
	31 Dec 2006	31 Dec 2005
15. Statutory reserve		
In Bangladesh		
Opening balance	581,785,491	500,294,769
Addition during the year (20% of pre-tax profit)	106,437,270	81,490,722
Closing balance	688,222,761	581,785,491
Outside Bangladesh - ABBL, Mumbai Branch		
Opening balance	68,418,120	56,017,000
Addition during the year	16,226,740	12,401,120
Closing balance	84,644,860	68,418,120
	772,867,621	650,203,611
16. Other reserve		
General reserve (note 16.1)	41,855,300	41,855,300
Assets revaluation reserve (note 16.2)	633,417,794	126,439,485
Investment fluctuation reserve - ABBL, Mumbai Branch	7,980,045	7,488,369
Share premium account (note 16.3)	343,900	343,900
	683,597,039	176,127,054

Arab Bangladesh Bank Limited
Notes to financial statements for the year ended 31 December 2006

	Amounts in Taka	
	At 31 Dec 2006	At 31 Dec 2005
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		
ABBL, Mumbai branch	-	-
	41,855,300	41,855,300

16.2 Assets revaluation reserve

Opening balance	126,439,485	18,390,000
<u>Add</u> : Addition during the year	506,978,309	108,049,485
Closing balance	633,417,794	126,439,485

In the year 2006, lands and buildings owned by the Bank as well as mortgaged properties acquired by the Bank against loans have been revalued by the professional valuer and revaluation gain has been transferred to this reserve.

16.3 Share premium account

Opening balance	343,900	343,900
<u>Add</u> : Receipt during the year	-	-
<u>Less</u> : Payment during the year	-	-
Closing balance	343,900	343,900

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.

17. Retained earnings

Opening balance	180,785,572	124,573,386
<u>Add</u> : Post-tax profit for the year	532,186,349	162,453,608
<u>Less</u> : Transfer to statutory reserve	106,437,270	81,490,722
<u>Less</u> : Issue of bonus shares - 2005	51,976,400	24,750,700
Closing balance	554,558,252	180,785,572

Arab Bangladesh Bank Limited
Notes to financial statements for the year ended 31 December 2006

	Amounts in Taka	
	At 31 Dec 2006	At 31 Dec 2005
18. Contingent liabilities	21,112,279,519	14,527,055,835
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	2,920,556,934	2,798,201,975
	2,920,556,934	2,798,201,975
18.2 Other contingent liabilities		
Litigation pending against the Bank	-	-
Customers' stocks of securities-Merchant Banking Wing	4,186,436,169	2,685,591,534
Value of traveller's cheques	51,856,542	55,198,662
Value of savings certificates (Sanchaya patra)	604,599,422	1,474,746,705
	4,842,892,133	4,215,536,901
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
Other exchange contracts	-	-
	-	135,462,343

Arab Bangladesh Bank Limited
Notes to financial statements for the year ended 31 December 2006

Profit and Loss Statement	Amounts in Taka	
	Year ended 31 Dec 2006	Year ended 31 Dec 2005
20. Interest income		
Interest on loans and advances		
Loans and advances	3,130,364,403	2,088,553,245
Bills purchased and discounted	70,880,660	40,320,038
	3,201,245,063	2,128,873,283
Interest on		
Calls and placements	78,855,444	95,263,486
Balance with foreign banks	35,117,056	17,654,799
Reverse Repo	32,844,811	13,128,891
Balance with Bangladesh Bank	30,276,170	8,027,310
	177,093,481	134,074,485
Profit/loss due to change in interest rate	-	-
	3,378,338,544	2,262,947,768
21. Interest paid on deposits, borrowings, etc		
Interest on deposits		
Fixed deposits	1,776,548,868	1,033,936,126
Savings deposits	361,813,691	297,508,399
Short-term deposits	120,574,842	64,031,965
Other deposits	227,230,346	18,851,727
	2,486,167,747	1,414,328,217
Interest on borrowings		
Local banks, financial institutions including Bangladesh Bank	276,666,192	157,107,939
Nostro overdrawn	-	105,844
	276,666,192	157,213,783
	2,762,833,939	1,571,542,000
22. Investment Income		
Capital gain on sale of shares	760,914,061	17,219,367
Interest on treasury bills	187,034,218	268,401,738
Dividend on shares	18,917,807	21,502,450
Interest on debentures	2,887,500	2,887,500
Interest on treasury bonds	2,689,750	3,316,750
Interest on others bonds	2,072,500	4,145,000
Prize money of prize bond	-	-
	974,515,836	317,472,805
23. Commission, exchange and brokerage		
Other fees, commission and service charges	458,861,041	347,521,284
Commission on letters of credit	213,629,143	90,178,608
Commission on letters of guarantee	47,270,100	36,432,950
Exchange gains less losses arising from dealings in foreign currencies	20,850,096	12,308,382
Brokerage	-	-
	740,610,379	486,441,224

Arab Bangladesh Bank Limited
Notes to financial statements for the year ended 31 December 2006

	Amounts in Taka	
	Year ended 31 Dec 2006	Year ended 31 Dec 2005
24. Other income		
Locker rent, insurance claim and others	126,928,348	2,062,757
Recoveries on loans previously written off	118,875,051	15,808,774
Profit remitted by ABBL, Mumbai Branch	30,747,524	26,803,760
Recoveries on telex, telephone, fax, etc	16,177,202	18,471,513
Recoveries on courier, postage, stamp, etc	15,841,507	12,526,108
Dividend from AB International Finance Ltd, Hong Kong	10,878,762	5,270,890
Non-operating income (*)	73,359	594,170
Rent from Bank's property	13,500	640,500
	319,535,254	82,178,472
(*) Non-operating income includes sale of vehicles, old tyres, tubes, newspapers, furniture, fixtures, etc.		
25. Salary and allowances		
Basic salary, provident fund contribution and all other allowances	489,138,973	433,196,171
Festival and incentive bonus	74,419,906	33,177,639
	563,558,879	466,373,810
26. Rent, taxes, insurance, lighting, etc		
Rent, rates and taxes	72,818,289	70,695,503
Electricity, gas, water, etc	20,840,342	18,436,565
Insurance	18,141,373	19,993,853
Lease rental	-	33,817,753
	111,800,004	142,943,673
27. Legal expenses		
Legal expenses	1,272,304	769,621
	1,272,304	769,621
28. Postage, stamp, telecommunication, etc		
Telex, fax, internet, wireless link, SWIFT, etc	14,933,846	8,226,456
Telephone	13,919,167	13,357,779
Postage, stamp and shipping	5,404,892	6,944,631
	34,257,906	28,528,866
29. Stationery, printing, advertisements, etc		
Printing and stationery	24,268,261	19,760,197
Publicity, advertisement, etc	2,950,298	3,644,406
	27,218,559	23,404,603
30. Directors' fees		
Directors' fees	613,510	799,250
Meeting expenses	337,037	177,921
	950,547	977,171
Directors' fees includes fees for attending the meeting of the Board, Executive Committee, Audit Committee and Shariah Council. Each director was remunerated @ Taka 2,500 per meeting.		
31. Auditors' fees		
Statutory	261,250	235,125
Merchant Banking Wing	59,000	40,000
Others	130,450	170,125
	450,700	445,250

Arab Bangladesh Bank Limited
Notes to financial statements for the year ended 31 December 2006

	Amounts in Taka	
	Year ended 31 Dec 2006	Year ended 31 Dec 2005
32. Depreciation and repairs of Bank's assets		
Depreciation		
Electrical appliances	24,401,812	19,308,596
Leasehold assets	19,748,928	-
Furniture and fixtures	9,389,477	7,869,244
Office appliances	2,710,229	2,716,692
Building	381,796	388,855
Motor vehicles	1,715	4,020
	<u>56,633,958</u>	<u>30,287,406</u>
Repairs		
Motor vehicles	8,965,575	6,614,158
Electrical appliances	8,684,632	6,679,657
Office premises and others	5,275,997	5,716,686
Furniture and fixtures	3,170,725	1,459,944
Office appliances	2,308,958	2,293,447
	<u>28,405,889</u>	<u>22,763,891</u>
	<u>85,039,847</u>	<u>53,051,297</u>
33. Other expenses		
ABBL Inter-bank Account, un-reconciled items written off (note 33.1)	950,742,796	-
Contractual service	35,123,590	29,257,913
Amortisation of deferred revenue expenses	19,077,049	16,383,758
Petrol, oil and lubricant	17,983,851	11,879,636
System programme and software development	17,793,418	455,148
Entertainment	12,692,687	10,362,229
Travelling	9,836,977	4,222,052
Subscription, membership and sponsorship	4,094,333	7,228,841
Training, seminar and workshop	3,874,837	1,105,756
Local conveyance	3,436,958	3,558,042
Professional charges	2,293,860	3,366,684
Books, newspapers and periodicals	793,674	738,568
Branch opening expenses	171,975	238,943
Sundry expenses (*)	31,894,977	12,487,338
	<u>1,109,810,983</u>	<u>101,284,907</u>
33.1 ABBL Inter-bank Account, un-reconciled items written off	<u>950,742,796</u>	<u>-</u>

This represents unreconciled entries identified by the Bank so far against which no corresponding entries were found to match and hence written off. Such entries are from the dealings in foreign exchange by the Bank's originated in the year 2002.

- (*) Sundry expenses includes corporate expenses, business promotion, carrying and labour charges, expenses on managers' conferences and 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 2006

	Amounts in Taka	
	Year ended 31 Dec 2006	Year ended 31 Dec 2005
34. Provision against loans and advances		
On classified loans	35,000,000	182,111,511
On un-classified loans	127,500,000	30,000,000
	162,500,000	212,111,511
35. Provisions for diminution in value of investments		
In quoted shares	16,000,000	-
36. Other provision		
Provision for prepaid legal expenses	-	-
Provision for protested bills	-	-
Provision for unsettled foreign exchange transactions	-	135,462,343
Provision for outstanding debit entries in NOSTRO accounts	-	-
	-	135,462,343
Provision for prepaid legal expenses and protested bills has been made as per Bangladesh Bank BRPD circular no. 14 of 2001.		
37. Appropriations		
Retained earnings - brought forward	180,785,572	124,573,386
<u>Add:</u> Post-tax profit for the year	532,186,349	162,453,608
	712,971,921	287,026,994
<u>Less:</u> Bonus shares issued - 2005	51,976,400	24,750,700
Profit available for distribution	660,995,521	262,276,294
Transferred to:		
Statutory reserve	106,437,270	81,490,722
General reserve	-	-
Proposed dividend	-	-
	106,437,270	81,490,722
Retained earnings	554,558,252	180,785,572
38. Earnings per share		
Profit after taxation	532,186,349	162,453,608
Number of ordinary shares outstanding	5,717,400	5,197,636
Earnings per share	93.08	31.26

Earnings per share (EPS) has been computed by dividing the basic earnings by the number of ordinary shares outstanding as on 31 December 2006 in terms of Bangladesh Accounting Standard (BAS)-33.

Arab Bangladesh Bank Limited
Notes to financial statements for the year ended 31 December 2006

Cash Flow Statement

Amounts in Taka

39. Receipts from other operating activities

Interest on treasury bills, bonds, debenture and others
Exchange earnings
Profit remitted by ABBL, Mumbai Branch
Recoveries on telex, telephone, fax, etc
Recoveries on courier, postage, stamp, etc
Dividend from AB International Finance Ltd, Hong Kong
Non-operating income
Rent from Bank's property
Others

Year ended 31 Dec 2006	Year ended 31 Dec 2005
955,598,029	295,970,355
20,850,096	12,308,382
30,747,524	26,803,760
16,177,202	18,471,513
15,841,507	12,526,108
10,878,762	5,270,890
73,360	594,170
13,500	640,500
126,928,348	2,062,757
1,177,108,328	374,648,436

40. Payments for other operating activities

Other expenses
Rent, taxes, insurance, electricity, etc
Postage, stamps, telecommunication, etc
Repairs of Bank's assets
Legal expenses
Directors' fees
Charges on loan losses

1,109,810,983	101,284,908
111,800,004	142,943,673
34,257,906	28,528,866
28,405,889	22,763,891
1,272,304	769,621
950,547	977,171
-	-
1,286,497,632	297,268,130

41. Increase/decrease in other assets

Inter-branch adjustment
Advance corporate income tax
Preliminary, formation, organisational, renovation,
development and prepaid expenses
Exchange for clearing
Accounts receivable
Interest accrued on investment but not collected,
commission and brokerage receivable on shares
and debentures, and other income receivables
Security deposits
Local draft paid without advice
Advance rent and advertisement
Stationery, stamps, printing materials, etc
Accrued income from subsidiary company
Investment in AB International Finance Ltd, Hong Kong
Interest on bearer certificates of deposit
Shares in Chittagong Stock Exchange Ltd

1,751,654,641	2,716,975,928
774,073,376	706,984,729
641,638,879	262,643,014
365,709,493	212,807,590
335,941,109	261,657,884
117,430,890	25,686,970
79,080,241	76,593,394
68,625,077	47,236,894
43,703,914	42,813,085
17,725,357	13,225,383
10,655,520	5,123,700
5,203,944	5,203,944
1,317,810	1,756,357
-	5,000,000
4,212,760,251	4,383,708,872
161,664,236	105,637,717
4,051,096,015	4,278,071,154
(226,975,139)	154,657,835

Less : Payment of corporate income tax

Net decrease

Arab Bangladesh Bank Limited
Notes to financial statements for the year ended 31 December 2006

	Amounts in Taka	
	Year ended 31 Dec 2006	Year ended 31 Dec 2005
42. Increase/decrease in other liabilities		
Accumulated provision against loans and advances	773,721,040	590,964,999
Provision for corporate taxation	487,759,621	626,164,903
Interest suspense account	189,967,306	208,928,141
Others	152,139,460	88,880,444
Exchange fluctuation adjustment account -ABBL, Mumbai Branch	99,815,120	64,164,221
Retained revenue - ABBL, Mumbai Branch	85,809,142	71,133,468
Accounts payable - Bangladesh Bank	61,660,356	130,103,670
Exchange equalisation account	47,966,966	47,966,966
Provision against other assets	36,488,215	191,950,558
Provision for gratuity	29,614,872	10,000,000
Obligation under finance lease	24,707,109	-
Accrued expenses	20,611,776	12,081,026
Provision against investments	16,000,000	-
Accrued profit on investment - Islami banking branch	5,939,681	1,340,312
Unearned interest on treasury bills and other bonds	-	222,871,409
	2,032,200,664	2,266,550,116
<u>Less: Adjustment for provision</u>	178,500,000	602,573,854
	1,853,700,664	1,663,976,262
Net Increase	189,724,401	(348,323,729)

43. Highlights of the overall activities of the Bank

1	Paid-up capital	571,740,000	519,763,600
2	Total capital	2,664,171,815	1,727,437,898
3	Capital surplus	67,310,208	32,720,297
4	Total assets	47,989,337,222	33,065,402,555
5	Total deposits	42,076,995,417	27,361,442,154
6	Total loans and advances	31,289,251,217	21,384,633,900
7	Total contingent liabilities and commitments	21,112,279,519	14,662,518,178
8	Credit-deposit ratio	74.36	78.16
9	Ratio of classified loans against total loans and advances	4.02	8.21
10	Profit after tax and provision	532,186,349	162,453,608
11	Loans classified during the year	205,387,000	448,302,000
12	Provision kept against classified loans	415,590,160	375,154,160
13	Provision surplus/ (deficit)	34,521,040	21,300,999
14	Cost of fund	10.04%	8.60%
15	Interest earning assets	36,648,106,492	24,006,766,329
16	Non-interest earning assets	11,341,230,730	9,058,636,225
17	Return on investments (ROI)	18.81%	5.88%
18	Return on assets (ROA)	1.31%	0.50%
19	Income from investments	974,515,836	317,472,805
20	Earnings per share	93.08	31.26
21	Net income per share	93.08	31.26
22	Price-earnings ratio (Times)	9.59	11.68

Arab Bangladesh Bank Limited
Notes to financial statements for the year ended 31 December 2006

Others

44. Assets and liabilities at 31 December 2006 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	135.3296
European Currency	EURO	1.00	91.1797
Indian Rupee	INR	1.00	1.5646
Hong Kong Dollar	HKD	1.00	8.8796
Japanese Yen	JPY	1.00	0.5804
US Dollar	USD	1.00	69.0651

45. No material events have occurred after the Balance Sheet date that could affect the values reported in the financial statements.
46. Wherever considered necessary, previous year's figures have been rearranged for the purpose of comparison with current year's presentation without creating any impact on the operating result and value of assets and liabilities as reported in the financial statements.
47. Figures in these notes and in the annexed financial statements have been rounded off to the nearest Taka.
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

Sajedur Seraj
Vice Chairman

Golam Sarwar
Director

D.S. Faisal Hyder
Director

Kaiser A. Chowdhury
Managing Director

Dhaka, Bangladesh
Dated, 07 May 2007

Arab Bangladesh Bank Limited
Details of fixed assets at 31 December 2006

Annex A

Amounts in Taka

	Land and building	Furniture and fixtures	Office appliances	Electrical appliances	Motor vehicles	Leasehold assets	Total
Cost							
Balance at 01 January 2006	230,359,063	152,504,863	32,230,750	254,404,619	26,691,070	165,150,074	861,340,439
Addition during the year	715,408,838	12,253,595	6,855,300	57,597,419	2,400,000	-	794,515,152
Disposal during the year	-	4,169,594	755,397	9,165,840	-	-	14,090,831
At 31 December 2006	945,767,901	160,588,864	38,330,653	302,836,198	29,091,070	165,150,074	1,641,764,760
ABBL, Mumbai Branch	-	2,996,403	8,214,069	2,911,600	2,609,006	-	16,731,078
	945,767,901	163,585,267	46,544,722	305,747,798	31,700,076	165,150,074	1,658,495,838
Accumulated depreciation							
Balance at 01 January 2006	3,077,470	83,163,025	24,688,076	191,987,012	26,689,332	120,694,037	450,298,952
Charge during the year	379,133	9,389,267	2,679,731	24,435,184	1,714	19,748,928	56,633,958
Adjustments during the year	-	2,501,546	285,172	8,046,544	-	-	10,833,262
At 31 December 2006	3,456,603	90,050,746	27,082,635	208,375,652	26,691,046	140,442,965	496,099,648
ABBL, Mumbai Branch	-	1,977,901	8,067,097	1,354,844	2,533,758	-	13,933,600
	3,456,603	92,028,647	35,149,732	209,730,496	29,224,804	140,442,965	510,033,248
Net book value							
At 31 December 2006	942,311,298	70,538,118	11,248,018	94,460,546	2,400,024	24,707,109	1,145,665,112
ABBL, Mumbai Branch	-	1,018,502	146,972	1,556,756	75,248	-	2,797,478
Total at 31 Dec 2006	942,311,298	71,556,620	11,394,990	96,017,302	2,475,272	24,707,109	1,148,462,590
Total at 31 Dec 2005	227,281,593	70,323,218	7,725,663	64,303,401	423,095	-	370,056,970

Arab Bangladesh Bank Limited
Islami Banking Branch
Balance Sheet at 31 December 2006

Annex B/1

Amounts in Taka

	At 31 Dec 2006	At 31 Dec 2005
PROPERTY AND ASSETS		
Cash	1,609,785	35,064
In hand (including foreign currencies)	1,609,785	35,064
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	-	-
Balance with other banks and financial institutions	200,062,000	33,052,000
In Bangladesh	200,062,000	33,052,000
Outside Bangladesh	-	-
Money at call and on short notice		
Investments	-	-
Government	-	-
Others	-	-
Loans and advances / investments	217,154,311	15,105,360
Murabaha	6,093,867	9,633,314
Bai-muazzal	136,090,444	3,819,546
Hire purchase	74,970,000	1,507,500
Quard against mudarabaha term deposits	-	145,000
Fixed assets including premises, furniture and fixtures	2,555,197	877,431
Other assets	693,090,884	6,124,375
Non-banking assets	-	-
Total Assets	1,114,472,177	55,194,230
LIABILITIES AND CAPITAL		
Liabilities		
Borrowings from other banks, financial institutions and agents	-	-
Deposits and other accounts	1,087,403,647	54,531,977
Al-wadia current deposits	1,302,369	2,326,156
Mudaraba savings deposits	471,000,771	3,794,185
Mudaraba short-term deposits	1,679,696	127,657
Mudaraba term deposits	590,834,782	46,101,797
Profit payable	10,270,096	1,370,320
Bills payable	12,315,933	811,862
Other liabilities	12,545,259	3,559,289
Surplus - as per Profit and Loss Statement	14,523,271	(2,897,036)
Total Liabilities	1,114,472,177	55,194,230
Contingent liabilities		
Acceptances and endorsements	-	-
Letters of guarantee	7,069,800	4,500,000
Irrevocable letters of credit	-	-
Bills for collection	-	-
Other contingent liabilities	-	-
	7,069,800	4,500,000
Other commitments		
Documentary credits and short-term, trade-related transactions	-	-
Forward assets purchased 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	7,069,800	4,500,000

Profit and Loss Statement for the year ended 31 December 2006

	Amounts in Taka	
	Year ended 31 Dec 2006	Year ended 31 Dec 2005
OPERATING INCOME		
Profit received from investment	63,590,777	3,057,880
Profit paid on deposits, borrowings, etc	(44,595,654)	(2,268,815)
Net profit received	18,995,123	789,065
Commission, exchange and brokerage	805,522	208,857
Other income	84,049	51,921
	889,571	260,778
Total operating income (a)	19,884,694	1,049,843
OPERATING EXPENSES		
Salary and allowances	3,544,096	2,427,683
Rent, taxes, insurance, electricity, etc	199,777	548,131
Legal expenses	-	-
Postage, stamps, telecommunication, etc	80,565	39,984
Stationery, printing, advertisement, etc	170,546	114,364
Chief executive's salary and fees	-	-
Directors' fees	150,635	32,253
Auditors' fees	-	-
Charges on loan losses	-	-
Depreciation and repairs of Bank's assets	401,828	280,058
Other expenses	813,976	504,406
Total operating expenses (b)	5,361,423	3,946,879
Net profit during the year (a-b)	14,523,271	(2,897,036)

Arab Bangladesh Bank Limited
Mumbai Branch, India
Balance Sheet at 31 December 2006

Annex C

	Amounts in Taka	
	At 31 Dec 2006	At 31 Dec 2005
PROPERTY AND ASSETS		
Cash	15,196,461	13,068,297
In hand (including foreign currencies)	3,091,662	3,947,472
Balance with Reserve Bank of India and its agent bank(s) (including foreign currencies)	12,104,799	9,120,825
Balance with other banks and financial institutions	414,969,632	187,703,563
In India	41,753,178	72,737,287
Outside India	373,216,454	114,966,276
Money at call and on short notice	36,768,100	39,641,400
Investments	152,227,738	121,351,126
Government	129,541,038	100,062,226
Others	22,686,700	21,288,900
Loans and advances	591,857,172	502,349,246
Loans, cash credits, overdrafts, etc	331,091,111	300,624,255
Bills purchased and discounted	260,766,061	201,724,991
Fixed assets including premises, furniture and fixtures	2,797,478	3,471,520
Other assets	223,784,501	346,133,935
Non-banking assets	-	-
Total Assets	1,437,601,082	1,213,719,087
LIABILITIES AND CAPITAL		
Liabilities		
Borrowings from other banks, financial institutions, and agent	-	-
Deposits and other accounts	581,712,049	287,373,714
Current deposits	461,906,648	183,600,371
Other demand deposits	6,140,878	6,932,444
Bills payable	11,173,525	11,124,165
Savings bank deposits	-	-
Short-term deposits	-	-
Fixed deposits	102,490,998	85,716,734
Bearer certificates of deposit	-	-
Other deposits	-	-
Other liabilities	98,830,542	236,331,872
Total Liabilities	680,542,591	523,705,586
Capital/ Shareholders' Equity		
Paid-up capital/fund from Head Office(*)	578,624,443	542,973,544
Statutory reserve	84,644,860	68,418,120
Other reserve	7,980,045	7,488,369
Retained earnings	85,809,143	71,133,468
Total Shareholders' Equity	757,058,491	690,013,501
Total Liabilities and Shareholders' Equity	1,437,601,082	1,213,719,087
Off-Balance Sheet Items:		
Contingent liabilities		
Acceptances and endorsements	269,427,214	130,465,115
Letters of guarantee	16,620,320	29,637,266
Irrevocable letters of credit	57,963,099	53,665,048
Bills for collection	211,234,857	307,612,103
Other contingent liabilities	31,683	29,731
	555,277,173	521,409,263
Other commitments		
Documentary credits and short term trade-related transactions	-	-
Forward assets purchased 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	555,277,173	521,409,263

(*)

An amount of INR 369,822,602 has been remitted to ABBL, Mumbai Branch as its capital for operation in India. The amount varies from year to year while converting into local currency due to fluctuation of exchange rate.