

**AB Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2008**

**1.1 The Bank and its Activities**

AB Bank Limited 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 respectively. AB Bank Limited has 72 branches including 1 Islami banking branch, 1 Overseas branch in Mumbai, India. The Bank has a subsidiary company, AB International Finance Limited, 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.

AB Bank Limited 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.

The Bank obtained permission as a Security Custodian from Securities and Exchange Commission vide its certificate no. SC-05/2007 dated 22 January 2007 under the Securities and Exchange Commission (Security Custodian Service) Rules, 2003.

**1.2 Significant Accounting Policies and basis of preparation of the Financial Statements**

**a. Presentation of the financial statements**

Financial Statements of the Bank comprise the Balance Sheet, Profit and Loss Account, Cash Flow Statements, Statement of Changes in Equity, Liquidity Statement and relevant notes and disclosures.

Financial Statements of the Bank are made as at 31 December 2008 and are prepared under the historical cost convention except investments and in accordance with the First Schedule (sec- 38) of the Bank Companies Act 1991, BRPD circular # 14 dated 25 June 2003, other Bangladesh Bank circulars, the Companies Act 1994, the Securities and Exchange Ordinance 1969, Securities and Exchange Rules 1987 and other laws and rules applicable to a banking company.

Financial Statements of the Bank have been prepared in accordance with the measurement and recognition requirements of the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB).

Adopted IAS, IFRS and the Companies Act have been used as a model for the presentation and disclosure framework to provide additional information and analysis of key items in the financial statements except insofar as the Bank considers disclosures inappropriate to its functions.

#### **b. Basis of 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.

#### **Mumbai Branch, India**

The assets and liabilities of Mumbai Branch, India have been incorporated in the accounts at year end 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". The Balance Sheet of the Mumbai Branch has been shown separately in **Annexure - F**.

#### **Merchant Banking Wing**

Financial statements of Merchant Banking Wing have been audited by a separately appointed independent auditor. 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-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 Account of the branch are shown separately in **Annexure-E-1 and E-2**. Distribution of Profit under Islamic Banking Operation and Fixation of final rate for the year 2008 are shown in **Annexure-E-3**.

#### **c. Use of estimates and judgments**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumption are reviewed on an ongoing basis. Revisions of accounting estimates are recognized in the period in which the estimate is revised and in the future periods affected.

#### **d. Materiality of financial statements**

Each material items as considered by management significant have been presented separately in the financial statements wherever applicable.

## **e. Foreign currency transactions**

### **i. Functional and presentational currency**

Financial Statements of the Bank are presented in Taka, which is the Bank's functional and presentational currency.

### **ii. Foreign currency translation**

Foreign currency transactions are converted into equivalent Taka currency at the ruling exchange rates on the respective date of such transactions as per IAS- 21 "The Effects of Changes in Foreign Exchange Rates".

Assets and liabilities in foreign currencies as at 31 December 2008 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.

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.

## **f. Cash Flow Statement**

Cash Flow Statement is prepared principally in accordance with IAS- 7 "Cash Flow Statement" and under the guidelines of Bangladesh Bank BRPD Circular No.14 dated 25<sup>th</sup> June 2003. The cash flow statement shows the structure of and changes in cash and cash equivalents during the financial year. It is broken down into operating activities, investing activities and financial activities.

## **g. Statement of Changes in Equity**

Statement of Changes in Equity is prepared principally in accordance with IAS- 1 "Presentation of Financial Statements" and under the guidelines of Bangladesh Bank BRPD Circular No.14 dated 25<sup>th</sup> June 2003.

## **h. Liquidity statements**

The liquidity statements of assets and liabilities as on the reporting date has been prepared on the following basis:

- i. balance with other banks and financial institutions, money at call and short notice, etc. are on the basis of their maturity term.
- ii. investments are on the basis of their respective maturity.
- iii. loans and advances are on the basis of their repayments maturity.
- iv. fixed assets are on the basis of their useful lives.
- v. other assets are on the basis of their realization/ amortization.

- vi. Borrowing from other banks, financial institutions and agents, etc are as per their maturity/ repayments terms.
- vii. deposits and others accounts are on the basis of their maturity term.
- viii. provision and other liability on the basis of their repayments/ adjustments schedule.

### 1.3 Assets and basis of their valuation

#### a. Cash and cash equivalent

Cash and cash equivalent include notes and coins on hand, unrestricted balance held with Bangladesh bank and highly liquid financial assets which are subject to insignificant risk of changes in their fair value, and are used by the bank management for its short term commitments

#### b. Loans and advances

- i. Loans and advances are stated at gross amounts at 31 December 2008.
- ii. Interest is not charged on classified loans and advances from the date of filing money suits against the borrowers.
- iii. 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, BRPD circular no. 05 dated 05 June 2006 and such interest is not accounted for as income until realized from borrowers.
- iv. Provision for loans and advances is made on the basis of year-end 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, BRPD circular no. 05 dated 05 June 2006 and 05 of April 2008. The adopted rate for provisions are stated below:

Business Unit		UC	SMA	SS	DF	BL
		Prov (%)	Prov (%)	Prov (%)	Prov (%)	Prov (%)
House building & Professional		2%	5%	20%	50%	100%
<b>Consumer:</b>	Other than House building & Professional	5%	5%	20%	50%	100%
Small & Medium		1%	5%	20%	50%	100%
All Other		1%	5%	20%	50%	100%

### **c) Investment**

The Bank's investment in treasury bills are stated at present value and interest on treasury bills are recognised as income of the bank as and when profit received from treasury bills on maturity as per BRPD Circular no. 15 dated 31 October 2005 and DOS Circular Letter no. 03 dated 07 February 2007.

The valuation methods of investment used are:

#### **i) Held to maturity**

Investments classified as 'held to maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the intention and ability to hold to maturity. Where the Bank wants to sell other than an insignificant amount of such assets, the entire category would be reclassified as available for sale. Investment in securities have been revalued as mark to market as at December 31, 2008, the gain of revaluation from the held to maturity securities has been shown in the financial statement in changes in equity as at 31 December 2008.

#### **ii) Held for trading**

All other investments are designated as 'held for trading'. Investments classified in this category are acquired principally for the purpose of selling or repurchasing in short - trading. After initial recognition, investments are measured at fair value and any changes in the fair value are recognized in the statement of income for the period in which it arises.

Value of investments has been enumerated as follows:

<b><u>Particulars</u></b>	<b><u>Applicable Accounting</u></b>
Government Treasury Bills / Bonds	Present value
T & T Bonds	Face value
Prize Bond	Face value
BHBFC Debenture	Redeemable value
Zero Coupon Bond	Face value

#### **iii) Investment in listed securities**

These securities are brought and held primarily for the purpose of selling them in future or held for dividend income. These are reported at cost. Unrealized gains or losses are not recognized in the profit and loss account.

#### **iv) Investment in unlisted securities**

Investment in unlisted securities is reported at cost under cost method.

### **d) Property, plant and equipment**

- i. All fixed assets are stated at cost less accumulated depreciation as per IAS -16 "Property, Plant and Equipment". The cost of acquisition of an asset comprise its purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use inclusive of inward freight, duties and non- refundable taxes.

- ii. The bank recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the company and the cost of the items can be measured reliably. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred.
- iii. 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:

<b><u>Name of the Assets</u></b>	<b><u>Rate of Depreciation</u></b>
Land	Nil
Building	2.50%
Furniture & Fixtures	10.00%
Electrical appliances	20.00%
Motor vehicles	20.00%
Leasehold assets - vehicles	20.00%

- iv. Depreciation for assets addition during the year is charged from the month of addition. Whole month depreciation is charged for the month of addition.
- v. On the month of disposal of fixed assets no depreciation is charged. The cost and accumulated of depreciation of disposed assets are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the income statement.
- vi. Useful life and method of depreciation of fixed assets are reviewed periodically. If useful lives of assets do not differ significantly as it was previously estimated, bank management does not consider to revalue its assets by the meantime.

**e) Leasing**

Where property, plant and equipment have been financed by lease agreements under which substantially all the risks and rewards of ownership are transferred to the Bank, they are treated as finance leases as per IAS- 17 "Leases". All other leases are classified as operating leases as per IAS - 17 "Leases"

**i) As lessee**

Assets held under finance lease are recognized as assets of the bank at their fair value at the date of acquisition or if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation **(note-13.09)**

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets.

**ii) As lessor**

The bank did not grant any lease finance.

#### **f) Stock of stationery**

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

### **1.4 Liabilities and provision and basis of theirs valuation**

#### **a) Provision for taxation**

Income tax represents the sum of the current tax and deferred tax.

##### **i) Current Tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Provision for current income tax has been made @ 45% as prescribed in the Finance Ordinance 2008 of the accounting profit made by the Bank after considering some of the add backs of income and disallowances of expenditure as per Income Tax Ordinance, 1984.

##### **ii) Deferred Tax**

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

The impact on the account of changes in the deferred tax assets and liabilities has also been recognized in the profit and loss account as per IAS-12 "Income Taxes".

#### **b) Deposits**

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

#### **c) Statutory reserve**

Bank Companies Act, 1991 requires the bank to transfer of its current year's profit before tax to reserve until such reserve equals to its paid up capital.

#### **d) Retirement benefits to the employees**

The retirement benefits accrued for the employees of the bank as on the reporting date have been accounted for in accordance with the provision of IAS-19 "Employee benefit". Bases of enumerating the retirement benefits schemes operated by the bank are outlined below:

##### **i) Provident fund**

There is a provident fund scheme under the defined contribution plan. The fund is operated by a separate board of trustees approved by the National Board of Revenue as per Income Tax Ordinance, 1984. All eligible employees contribute 10% of their basic pay to the fund. The bank also contributes equal of employees contribution to the fund. These contributions are invested separately. Benefits from the fund are given to eligible employees at the time of retirement / resignation as per approved rules of the fund.

##### **ii) Staff gratuity**

The bank has a separate Board of Trustees for operating the staff gratuity fund approved by the National Board of Revenue. 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.

##### **iii) 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.

#### **e) Provision for liabilities**

A provision is recognized in the balance sheet when the bank has a legal or constructive obligation as a result of past event and it is probable that an outflow of economic benefit will be required to settle the obligations, in accordance with IAS- 37 "Provision, Contingent Liabilities and Contingent Assets".

No provision is recognized for any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events not wholly within the control of the bank, or any present obligation that arises from past events and it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or a reliable estimates of the amount of obligation can not made.

However, certain provisions on assets and liabilities are maintained in accordance with relevant Bangladesh Bank Circulars issued from time to time.

## **1.5 Revenue recognition**

### **a) Interest income**

In terms of the provisions of the IAS -18 "Revenue", the interest income is recognized on accrual basis. Interest on loans and advances ceases to be taken into income when such advances are classified or treated as SMA as per BRPD Circular No. 05 dated 05 June 2006 and is kept in interest suspense account. Interest on classified advances is accounted for as and when realised.

### **b) Investment income**

Interest income on investments is recognized on accrual basis except treasury bills. Capital gains on investments in shares are also included in investment income. Capital gain is recognized when it is realised.

### **c) Fees and commission income**

Fees and commission income on services provided by the bank are recognized as and when the services are rendered. Commission charged to customers on letters of credit and letters of guarantee are credited to income at the time of affecting the transactions.

### **d) Dividend income on shares**

Dividend income from investment in shares is recognised when the bank's right to receive dividend is established.

### **e) Interest paid on deposits and borrowing**

Interest paid on deposits, borrowings etc. is accounted for on accrual basis according to the IAS – 1 "Presentation of Financial Statements".

### **f) Other operating expense**

All other operating expenses are provided for in the books of the account on accrual basis according to the IAS – 1 "Presentation of Financial Statements".

## **1.6 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 un-reconciled revenue items in NOSTRO accounts as at 31 December 2008.

## **1.7 Offsetting financial instruments**

No accounts of assets and liabilities were set-off unless these were legally permitted accordingly to the IAS - 1 "Presentation of Financial Statements".

## **1.8 Earning per share**

### **a. Basic earning per share**

Basic earnings per share have been calculated in accordance with IAS- 33 "Earning per Share" which has been shown in the face of the profit and loss account. This has been calculated by dividing the basic earnings by the total ordinary outstanding share.

### **b. Diluted earnings per share**

No diluted earnings per share is required to be calculated for the year as there was no scope for dilution during the year under review.

## **1.9 Off-balance sheet items**

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

In accordance with BRPD Circular # 08 and 10 dated 07 August 2007 and 18 September 2007 respectively general provision @ 1.00% has been made on the outstanding balance of letter of credit, guarantee and acceptances as at 31 December 2008, while in 2007 general provision @ 0.5% has been made on above mentioned outstanding balance.

## **1.10 Memorandum items**

Memorandum items are maintained to have control over all items of importance and for such transactions where the bank has only a business responsibility and no legal commitment. Stock of travellers cheques, Value of savings certificates (Sanchaya Patra), Customers' stocks of securities (MBW) and other fall under the memorandum items.

## **1.11 Reporting period**

These financial statements cover one calendar year from 01 January 2008 to 31 December 2008.

## 1.12 Segment Reporting

The banks reports its operations under the following business segments as per International Accounting Standards (IAS) - 14 "Segment Reporting".

### Segment report of bank by nature:

Particulars	AB Bank Limited		Global
	Islami	Conventional	
<b><u>Income Statement</u></b>			
-			
Net interest income	138,839,375	1,891,854,563	2,030,693,938
Non-interest income	9,057,458	4,109,274,481	4,118,331,939
Operating Income	130,065,790	4,168,322,365	4,298,388,155
Operating expenditure	17,831,043	1,832,806,679	1,850,637,722
<b><u>Balance Sheet</u></b>			
-			
Segment assets	4,219,709,923	79,833,902,662	84,053,612,585
Segment advances	1,083,749,668	55,625,022,238	56,708,771,906
Segment deposits	3,232,422,977	65,328,051,346	68,560,474,323
Segment Liabilities	4,219,709,923	73,111,397,314	77,331,107,238
Segment Liabilities and share equity	4,219,709,923	79,833,902,662	84,053,612,585
<b><u>Financial performances (%)</u></b>			
Return on average equity	N/A	38.64%	40.96%
Return on average assets	4.00%	3.08%	3.12%
<b><u>Operating performance (%)</u></b>			
Net Interest Margin	4.27%	2.68%	2.75%
Classified loan ratio	0.19%	3.04%	2.99%
Non interest/ total income	1.82%	37.40%	35.86%
Cost to income ratio	73.91%	62.06%	62.57%
Cost to assets	11.34%	9.66%	9.74%

### 1.13 Compliance of Bangladesh Accounting Standards (BAS), International Accounting Standards (IAS) and Bangladesh Financial Reporting Standards (BFRS), International Financial Reporting Standards (IFRS)

The Institute of Chartered Accountants of Bangladesh (ICAB) is the sole authority for adoption of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). While preparing the financial statements, Bank applied most of the BAS/BFRS/IAS/IFRS.

SI #	Name of the BAS	BAS #	Status
1	Presentation of Financial Statements	1	Complied
2	Inventories	2	N/A
3	Cash Flow Statements	7	Complied
4	Accounting Policies, Changes in Accounting Estimates and Errors	8	Complied
5	Events after the Balance Sheet Date	10	Complied
6	Construction Contracts	11	N/A
7	Income Taxes	12	Complied
8	Segment Reporting	14	Complied
9	Property, Plants and Equipments	16	Complied
10	Leases	17	Complied
11	Revenue	18	Complied
12	Employee Benefits	19	Complied
13	Accounting for Government Grants and Disclosure of Government Assistance	20	N/A
14	The Effects of Changes in Foreign Exchanges Rates	21	Complied
15	Borrowing Costs	23	Complied
16	Related Party Disclosures	24	Complied
17	Accounting for Investments	25	Complied
18	Accounting and Reporting by Retirement Benefit Plans	26	Complied
19	Consolidated and Separate Financial Statements	27	Not complied
20	Investment in Associates	28	N/A
21	Disclosures in the Financial Statements of Banks and Similar Financial Institutions	30	Complied
22	Interest in Joint Ventures	31	N/A
23	Earnings per Share	33	Complied
24	Interim Financial Reporting	34	Complied
25	Impairment of Assets	36	Complied
26	Provisions, Contingent Liabilities and Contingent Assets	37	Complied
27	Intangible Assets	38	Complied
28	Investment Property	40	Complied
29	Agriculture	41	N/A

\* N/A = Not Applicable

SI #	Name of the BFRS/IFRS	BFRS/IFRS #	Status
1	Share- based Payments	2	N/A
2	Business Combinations	3	N/A
3	Insurance contracts	4	N/A
4	Non- current assets Held for sale and Discontinued Operations	5	N/A
5	Exploration for and Evaluation of Mineral Resources	6	N/A
6	Financial Instruments: Disclosure	7	**
7	Operating Segments	8	***

\* N/A = Not Applicable

\*\* Partial disclosure are made according to the requirement of Bangladesh Bank.

\*\*\* Applicable from 2009.

Status of other accounting standard not adopted by the ICAB but relevant to bank:

SI #	Name of the IAS	IAS #	Status
1	Financial Instruments: Presentation	IAS- 32	Partial disclosures are made according to the requirement of Bangladesh Bank.
2	Financial Instruments: Recognition & Measurement	IAS- 39	Partial disclosures are made according to the requirement of Bangladesh Bank.

#### 1.14 Regulatory and legal compliance

The bank complied with the requirement of the following regulatory and legal authorities :

- i. The Bank Companies Act, 1991.
- ii. The Companies Act, 1994.
- iii. Rules, Regulation and Circular issued by the Bangladesh Bank.
- iv. The Securities and Exchange Rules, 1987.
- v. The Securities and Exchange Ordinance, 1969.
- vi. The Securities and Exchange Commission Act, 1993.
- vii. The Securities and Exchange Commission (Public Issues) Rules, 2006.
- viii. The Income Tax Ordinance, 1984.
- ix. The Value Added Tax (VAT), 1991.
- x. Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE) and Central Depository Bangladesh Limited (CDBL) rules and regulations

#### 1.15 Risk management

The risk of AB Bank Limited is defined as the possibility of losses, financial or otherwise. The risk management of the Bank covers core risk areas of banking viz, credit risk, liquidity risk, market risk that includes foreign exchange risk, interest rate risk, equity risk, operational risk and reputation risk arising from money laundering incidences. The bank objective of the risk management is that the bank evaluates and takes well calculative business risks and thereby safeguarding the bank's capital, its financial resources and profitability from various business risks through its own measures and through implementing Bangladesh Bank's guidelines and following some of the best practices as under:

#### **a) Credit risk**

It arises mainly from lending, trade finance and treasury businesses. This can be described as potential loss arising from the failure of a counter party to perform as per contractual agreement with the Bank. The failure may result from unwillingness of the counter party or decline in his / her financial condition. Therefore, the Bank's credit risk management activities have been designed to address all these issues.

The Bank has segregated duties of the officers / executives involved in credit related activities. A separate Corporate Division has been formed at Head Office which is entrusted with the duties of maintaining effective relationship with the customers, marketing of credit products, exploring new business opportunities, etc. Moreover, credit approval, administration, monitoring and recovery functions have been segregated. For this purpose, three separate units have been formed within the credit division. These are (a) Credit Risk Management Unit (b) Credit Administration Unit and (c) Credit Monitoring and Recovery Unit. Credit Risk Management Unit is entrusted with the duties of maintaining asset quality, assessing risk in lending to a particular customer, sanctioning credit, formulating policy / strategy for lending operation, etc. Adequate provision has been made on classified loans / investments.

A thorough assessment is done before sanction of any credit facility at Credit Risk Management Unit. The risk assessment includes borrower risk analysis, financial analysis, industry analysis, historical performance of the customer, security of the proposed credit facility, etc. The assessment process starts at Corporate Division by the Relationship Manager / Officer and ends at Credit Risk Management Unit when it is approved / declined by the competent authority. Credit approval authority has been delegated to the individual executives.

In determining Single borrower / Large loan limit, the instructions of Bangladesh Bank are strictly followed. Internal audit is conducted at periodical intervals to ensure compliance of Bank's and Regulatory polices. Loans are classified as per Bangladesh Bank's guidelines. Concentration of single borrower / large loan limit is shown in note-7.4.

## **b) Operating risk**

Operational risk address the risk associated with fraud, forgery, unauthorised activities, error, omission, system failure and external events among others. AB IS Managing these risk through written procedures, regular training and awareness programs. Departmental Control Function Checklist (DCFCL), Quarterly Operations Report, loan Documentation Checklist etc. are in place covering all probable risks associated with banks business and operations. Surprise Inspections are also made on a regular basis to make sure that all control tools are functioning properly.

## **c) Market risk**

The exposure of market risk of the bank is restricted to foreign exchange risk, interest rate risk and equity risk.

### **i) Foreign exchange risk**

Foreign exchange risk is defined as the potential change in earnings due to change in market prices. The foreign exchange risk of the bank is minimal as all the transactions are carried out on behalf of the customers against underlying L/C commitments and other remittance requirements.

Treasury department independently conducted the FX transactions and the Mid office and the back office of treasury is responsible for verification of the deals and passing of their entries in the books of account. All foreign exchange transactions are revalued at Mark to Market rate as determined by Bangladesh Bank at the month - end. All Nostro accounts are reconciled on a monthly basis and outstanding entry beyond 30 days is reviewed by the management for its settlement. The position maintained by the bank at the end of day was within the stipulated limit prescribed by the Bangladesh Bank.

### **ii) Interest rate risk**

Interest rate risk may arise from trading portfolio and non- trading portfolio. The trading portfolio of the bank consists of government treasury bills of 28 days maturity. The short term movement in interest rate is negligible or nil. Interest rate risk of non trading business arises from mistakes between the future yield of an asset and its funding cost. Asset Liability Committee (ALCO) monitors the interest rate movement on a regular basis.

### **iii) Equity risk**

Equity risk arises from movement in market value of equities held. The risks are monitored by the Investment Banking Division under a well designated policy framework. The market value of equities held was however higher than the cost price at the balance sheet date.

## **d) Liquidity risk**

The object of liquidity risk management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due. To this end, the Bank is maintaining a diversified and stable funding base comprising of core retail and corporate deposits and institutional balance (note - 12). Management of liquidity and funding is carried out by Treasury Department under approved policy guidelines. Treasury front office is supported by a very structured Mid office and Back office. The Liquidity management is monitored by Asset Liability Committee (ALCO) on a regular basis. A written contingency plan is in place to manage extreme situation.

### **e) Risk arising from money laundering**

AB considers prevention of money laundering risk not only as a compliance requirement imposed by the law of the country but also as one of its core business values. The board of directors and senior management are firmly committed to combat money laundering. Every year, a message from the president and managing directors office goes to all employees of the bank reiterating the importance of the issue. There is a high profile Central Compliance Unit (CCU) in place to oversee the anti money laundering activities. The president and managing director himself supervise the function of CCU's. Operation has separate and dedicated headcount for surveillance of the anti money laundering functions across the bank. Training and awareness programs are regularly held to make all employees aware of the issue. Bank has also undertaken campaign against money laundering in electronic media.

### **1.16 Events after the Balance Sheet Date**

As per IAS -10 "Events after the Balance Sheet Date" Events after the Balance Sheet Date are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and
- (b) those that are indicative of conditions that arose after the reporting period (no adjusting events after the reporting period).

There were no material events have occurred after the Reporting Period which could affect the values stated in the financial statements.

### **1.17 Related party disclosures**

A party is related to the company if:

- (i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the company; has an interest in the company that gives it significant influence over the company; or has joint control over the company;
- (ii) the party is an associate;
- (iii) the party is a joint venture;
- (iv) the party is a member of the key management personnel of the Company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the company.

a) Significant contracts where Bank is a party and wherein Directors have interest:

Name of contracts	Name of the Party	Name of Director and Related by
Lease agreement with AB Bank Ltd.	Deundi Tea Company (UK) Ltd.	Mr. M. Wahidul Haque (Common Director)
Lease agreement with AB Bank Ltd. (CARD Division)	Elite International Ltd	Mr. Salim Ahmed & Mr. Feroz Ahmed (Common Director)

b) Related party transactions:

Hyundai Motors Bangladesh Ltd.	Common Director's	Purchase of Vehicles	Tender	6,716,000
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## 1.18 Audit Committee of the Board of Directors

### i) Particulars of Audit Committee

The Audit Committee of the Board was duly constituted by the Board of Directors of the Bank in accordance with the BRPD Circular No. 12 dated 23 December 2002 issued by Bangladesh Bank. The Committee was formed comprising 3 (three) members of the Board.

Sl. #	Name	Status with Bank	Status with Committee	Duration	Educational Qualification
01	Mr. Shishir Ranjan Bose, FCA	Director	Chairman	With effect from 16 July 2008	Fellow of Chartered Accountants
02	Mr. M. Wahidul Haque	Chairman	Member	With effect from 04 February 2008	BA, LLB
03	Mr. Salim Ahmed	Vice-Chairman	Member	With effect from 16 July 2008	B.A. (Hons.), M.A. (History)

### ii) Meeting held with Audit Committee

During the year 2008, the audit committee conducted nine (09) 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 2008; and
- status of compliance of different rules and regulations.

### iii) Steps taken for implementation on effective internal control procedure of the Bank

The Committee placed its report regularly to the Board of Directors of the Bank mentioning its review results and recommendations on internal control system, compliance of rules and regulations and establishment of good governance within the organization.

#### 1.19 Shariah Council Committee

The Executive Committee of the Board of Directors constituted Shariah Council of AB Bank Limited. The following are the members:

SI	Name	Status with the Bank	Status With the Committee	Educational Qualification
1	Mr. Shah Abdul Hannan	-	Chairman	Masters in Economics from Dhaka University & Scholar of Islamic Studies.
2	Mr. M. Azizul Haue	-	Vice-Chairman	M.A (Economics) Dhaka University & Scholar of Islamic Banking.
3	Dr. Shamsheer Ali	-	Member	1. P.H.D (Manchester University) 2. M.S.C & B.S.C (Hons) Dhaka University
4	Dr. Md. Harun Rashid	-	Member	1. M.A, M. Phil P.H.D (Aligor University) 2. Islamic Law (1st class), Dewband, India. 3. Fazel-E-Dewband (1st class), Dewband, India.
5	Mr. Mawl. Abdul Mannan	-	Member	1. Kamil-Madrasah Education Board, Dhaka. 2. Dawra- E-Hadith Hathajari.
6	Mr. Muhammad Musa	-	Member	1.Kamil-Madrasah Education Board, Dhaka. 2. B.Com. (Hons.) & M.Com Dhaka University.
7	Mr. M. Wahidul Haque	Chairman, ABBL	Member	BA, LLB
8	Mr. Salim Ahmed	Vice-Chairman, ABBL	Member	B.A. (Hons.), M.A. (History)
9	Mr. Kaiser A.Chowdhury	President & MD, ABBL	Member	M.A (Economics) Dhaka University
10	Mr. Mukhlesur Rahman	-	Member Secretary	1. Kamil-Madrasah Education Board, Dhaka. 2. B.A (Hons) & M.A in Islamic Studies Dhaka University 3. Diploma in Arabic Language Dhaka University 4. Higher Diploma in Arabic Language Dhaka University.

During the year 2008, the following issues were discussed in the meetings:

- Awareness for Compliance of Shariah.
- Decision upon Compensation/Doubtful Income.
- Distribution of Final Profit in different Mudaraba Deposit Accounts after adjustment.

### 1.20 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 1804.

### 1.21 Name of Directors and the entities in which they had interest as at 31 December 2008

Sl. #	Name	Status	Name of the firms/companies in which the director had interest as proprietor/partner/director/managing agent/guarantor, etc.
1.	Mr. M. Wahidul Haque	Chairman	Deundi Tea Company (UK) Ltd.
2.	Mr. Salim Ahmed	Vice Chairman	i) Elite Chemical Industries Ltd. ii) Elite International Ltd. iii) Hexagon Chemical Complex Ltd. iv) Super Refinery (Pvt.) Ltd. v) Elite Super Plastic Ind. Ltd. vi) Sefs Bangladesh Ltd. vii) Ahmed Secutities Services Ltd. viii) Intrco Shares & Securities ix) Super Petro Chemicals Ind. Ltd. x) Super Sea Fish Ltd. xi) Elite Oil Refinery Ltd. xii) Bangladesh General Insurance Co. Ltd. xiii) Shares in Centre Point Hospital (Pvt.) Ltd.
3.	Mr. Feroz Ahmed	Director	i) Elite Chemical Industries Ltd. ii) Elite International Ltd. iii) Hexagon Chemical Complex Ltd. iv) Ahmed Secutities Services Ltd.
4.	Mr. M. A. Awal	Director	N/A
5.	Mr. Shishir Ranjan Bose, FCA	Independent Director	S.R. Bose & Co. , Chartered Accountants
6.	Mr. Faheemul Huq, Barrister-at-Law	Director	N/A
7.	Mr. Syed Afzal Hasan Uddin, Barrister-at-Law	Director	Syed Ishtiaq Ahmed & Associates
8.	Mr. Mishaai Kabir	Director	Hyundai Motors Bangladesh Ltd.
9.	Mr. Md. Salah Uddin	Director	N/A
10.	Mr. Md. Mesbahul Hoque	Director	Reptiles Firm Ltd.
11.	Mr. Md. Anwar Jamil Siddiqui	Director	i) Hyundai Motors Bangladesh Ltd. ii) Therapeutics Bangladesh Ltd.
12.	Dr. M. Imtiaz Hossain	Depositor Director	N/A
13.	Mr. Kaiser A. Chowdhury	President & Managing Director (Ex-Officio Director)	N/A

### 1.22 Approval of financial statements

These financial statements were approved by the board of directors on 28 March 2009.

### 2. General

- i. No material events have occurred after the Balance Sheet date that could affect the values reported in the financial statements.
- ii. 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.
- iii. Figures in these notes and in the annexed financial statements have been rounded off to the nearest Taka.
- iv. These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

		<b>31.12.2008</b>	<b>31.12.2007</b>
		<b>Taka</b>	<b>Taka</b>
<b>3. Cash</b>			
Cash in hand	(Note: 3.1)	679,556,149	671,113,391
Balance with Bangladesh Bank and its agent bank(s)	(Note: 3.2)	3,416,488,006	3,628,156,549
		<b>4,096,044,155</b>	<b>4,299,269,940</b>
<b>3.1 Cash in hand</b>			
In local currency		648,223,663	644,374,398
In foreign currency		31,332,486	26,738,993
		<b>679,556,149</b>	<b>671,113,391</b>
<b>3.2 Balance with Bangladesh Bank and its agent bank(s)</b>			
Balance with Bangladesh Bank			
In local currency		2,970,771,116	2,301,608,775
In foreign currency		89,717,952	1,040,341,839
		3,060,489,069	3,341,950,615
Sonali Bank (as an agent bank of Bangladesh Bank) - local currency		355,998,938	286,205,935
		<b>3,416,488,006</b>	<b>3,628,156,549</b>

### 3.3 Statutory deposits

#### 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 the 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 (CRR)

Required reserve	2,974,341,820	2,431,895,350
Actual reserve maintained	2,980,529,000	2,320,867,000
Surplus	6,187,180	(111,028,350)

#### (b) Statutory Liquidity Reserve (SLR)

Required reserve	7,733,288,732	6,322,927,910
Actual reserve maintained	8,163,405,862	6,800,195,935
Surplus	430,117,130	477,268,025
Total required reserve	10,707,630,552	8,754,823,260
Total actual reserve held with Bangladesh Bank	11,143,934,862	9,121,062,935
<b>Total surplus</b>	<b>436,304,310</b>	<b>366,239,675</b>

As per BRPD Circular # 12 dated 25 August 2005 all scheduled Banks have to maintain CRR and SLR (including CRR) @ 5.00 % and 18.00% daily of their total time and demand liabilities on bi-weekly average basis respectively, where the Bank maintained at the year ended 5.01% and 18.73% respectively.

### 4. Balance with other banks and financial institutions

In Bangladesh	(Note: 4.1)	993,239,274	718,485,962
Outside Bangladesh	(Note: 4.2)	1,306,774,151	1,142,249,261
		<b>2,300,013,425</b>	<b>1,860,735,223</b>

	31.12.2008 Taka	31.12.2007 Taka
<b>4.1 In Bangladesh</b>		
<b>Current Deposits</b>		
Standard Chartered Bank, Dhaka City Centre Branch	1,764,102	871,315
Agrani Bank Ltd., Laldighir Par Branch, Modhuban, Sylhet	6,224	6,339
Agrani Bank Ltd., Brahmanbaria Branch	4,280	4,013,555
Agrani Bank Ltd., Principal Branch, Dilkusha	26,080	26,080
Islami Bank Bangladesh Ltd., Local Office	2,727	2,727
Agrani Bank Ltd., Bhairab Bazar Branch	5,001,579	1,579
The Trust Bank Ltd., Corporate Branch, Dilkusha	447,302	1,495,297
Janata Bank Ltd., Jessore Branch	48,922	22,264
Agrani Bank Ltd., Shaheb Bazar Branch, Rajshahi	290	290
Agrani Bank Ltd., Thana Road Branch, Bogra	30,001,968	1,968
	<u>37,303,474</u>	<u>6,441,413</u>
<b>Short Term Deposits</b>		
Agrani Bank Ltd., Rangpur Branch	4,042,678	4,110,000
Agrani Bank Ltd., Saidpur Branch	7,597,668	41,224
Agrani Bank Ltd., Modhuban Branch, Sylhet	323,577	314,500
Agrani Bank Ltd., Bogra Branch	7,530	7,408
Agrani Bank Ltd., Jhikargachha Branch	13,149	13,289
Agrani Bank Ltd., Sir Iqbal Road Branch, Khulna	7,046	1,537,354
Agrani Bank Ltd., Naogaon Branch	6,398,066	4,234,257
Islami Bank Bangladesh Ltd., Local Office	60,118	52,000
Agrani Bank Ltd., Jessore Branch	9,538,402	41,094
Agrani Bank Ltd., Moulvi Bazar Branch	1,100,241	1,427,440
Agrani Bank Ltd., Satkhira Branch	662,517	8,513
Agrani Bank Ltd., Court Road Branch, Narayanganj	3,903	3,857
Agrani Bank Ltd., Chawk Bazar Branch, Barisal	24,997,331	193,613
Rupali Bank Ltd., Barisal Branch	639	-
	<u>54,752,865</u>	<u>11,984,549</u>
<b>Savings Deposits</b>		
Social Investment Bank Ltd. Principal Branch	610,198	50,000
Shahjalal Islami Bank Ltd., Foreign Exchange Branch	572,738	10,000
	<u>1,182,936</u>	<u>60,000</u>
<b>Fixed Deposits</b>		
Islamic Finance and Investment Ltd.	200,000,000	200,000,000
South East Bank Ltd.	100,000,000	-
Al-Arafah Islami Bank Ltd.	100,000,000	-
Social Investment Bank Ltd. Principal Branch	200,000,000	500,000,000
Phoenix Finance and Investment Ltd.	300,000,000	-
	<u>900,000,000</u>	<u>700,000,000</u>
	<u><b>993,239,274</b></u>	<u><b>718,485,962</b></u>
<b>4.2 Outside Bangladesh (Nostro Accounts)</b>		
The Bank of Tokyo Mitsubishi Ltd.	5,034,227	4,919,426
HSBC Plc	-	25,638,678
Lloyds TSB Bank Plc	5,054,192	10,168,611
HSBC	207,145	260,961
JP Morgan Chase Bank	-	184,999,044
Sonali Bank	2,500,113	780,425
Myanmar Economic Bank	28,256	28,115
Citibank NA	25,193,940	9,997,261
Hatton National Bank Ltd.	22,533	30,428
Commerz Bank AG	13,192,163	-
State Bank of India	1,083,788	1,078,329
NIB Bank Ltd.	2,579,592	2,722,491
Lloyds TSB Bank Plc	4,297,465	468,511
Mashreq Bank Psc	11,806,293	1,209,576
Arab Bangladesh Bank Ltd.	40,129,759	17,754,149
Nepal Bangladesh Bank Ltd.	1,866,129	861,549

	<b>31.12.2008</b> <b>Taka</b>	<b>31.12.2007</b> <b>Taka</b>
Bank of Bhutan	3,104,276	567,114
HSBC Plc	-	352,969
BCCI	116,864	448,611
Wachovia Bank	1,006,416	21,494,269
American Express Bank Ltd.	-	10,442,044
Habib America Bank	22,009,910	-
Commerz Bank AG	30,240,692	12,871,005
Hypovereins Bank	3,252,465	4,144,970
HSBC	693,017	9,732,305
National Commercial Bank Ltd	3,444,965	-
Reserve Bank of India	22,493,783	16,580,134
Other commercial banks in India	64,088,383	44,200,672
Balance with ABBL, Mumbai Branch	222,628,425	306,888,546
AB International Finance Ltd.	820,699,359	453,609,072
	<b>1,306,774,151</b>	<b>1,142,249,261</b>

(Currency wise Balance is given in **Annexure - A**)

	<b>31.12.2008</b> <b>Taka</b>	<b>31.12.2007</b> <b>Taka</b>
<b>4.3 Account-wise/grouping of balance with other banks and financial institutions</b>		
Current deposits	1,344,077,625	1,148,690,674
Savings deposits	1,182,936	60,000
Short-term deposits	54,752,865	11,984,549
Fixed deposits	900,000,000	700,000,000
	<b>2,300,013,425</b>	<b>1,860,735,223</b>
<b>4.4 Maturity grouping of balance with other banks</b>		
Repayable – on demand	1,400,013,425	1,148,990,317
– upto 3 months	420,000,000	131,744,906
– over 3 months but below 1 year	480,000,000	580,000,000
– over 1 year but below 5 years	-	-
– over 5 years	-	-
	<b>2,300,013,425</b>	<b>1,860,735,223</b>
<b>5. Money at call and on short notice</b>		
<u>With banking companies</u>		
Southeast Bank Ltd.	100,049,120	49,120
Jamuna Bank Ltd	24,900,000	-
Agrani Bank Ltd.	21,840	89,697
Bank of Ceylon, Corporate Branch	704,362,400	-
One Bank Ltd.	-	200,000,000
	<b>829,333,360</b>	<b>200,138,817</b>
<u>With non-banking financial institutions</u>		
People's Leasing and Financial Services Ltd.	130,000,000	110,000,000
First Lease International Ltd.	80,000,000	80,000,000
National Housing Company Ltd.	-	60,000,000
Bay Leasing Company Ltd.	80,000,000	50,000,000
	290,000,000	300,000,000
On calls and placements -ABBL, Mumbai Branch	71,345,000	73,941,500
	<b>1,190,678,360</b>	<b>574,080,317</b>
<u>At short notice</u>		
Agrani Bank Ltd. Principal Branch	21,840	89,697
Southeast Bank Ltd. Principal Branch	49,120	49,120
	<b>70,960</b>	<b>138,817</b>
<u>On calls and placements</u>		
Southeast Bank Ltd.	100,000,000	-
Jamuna Bank Ltd	24,900,000	-
People's Leasing and Financial Services Ltd.	130,000,000	110,000,000
First Lease International Ltd.	80,000,000	80,000,000
ABBL, Mumbai Branch	71,345,000	73,941,500
Bay Leasing Company Ltd.	80,000,000	50,000,000
Bank of Ceylon, Corporate Branch	704,362,400	-
National Housing Company Ltd.	-	60,000,000
One Bank Ltd.	-	200,000,000
	<b>1,190,607,400</b>	<b>573,941,500</b>
	<b>1,190,678,360</b>	<b>574,080,317</b>

<b>6. Investments</b>	<b>31.12.2008</b> <b>Taka</b>	<b>31.12.2007</b> <b>Taka</b>
<b>Investment securities are classified as follows:</b>		
Held for trading	3,401,227,000	366,239,000
Held to maturity	3,718,975,661	5,484,873,160
Others	4,288,333,401	3,033,488,970
	<b>11,408,536,062</b>	<b>8,884,601,130</b>
<b>6.1 Government securities</b>		
<b>Treasury bills:</b>		
91 days' treasury bills	-	398,336,071
182 days' treasury bills	175,167,360	-
364 days' treasury bills	862,890,518	1,466,968,654
5 years' treasury bills	-	155,312,436
	<b>1,038,057,878</b>	<b>2,020,617,161</b>
<b>Treasury bills - Reverse Repo with :</b>		
Eastern Bank Ltd.	-	387,000,000
City Bank Ltd.	300,000,000	655,000,000
South East Bank Ltd.	-	562,000,000
Uttara Bank Ltd.	-	312,000,000
	<b>300,000,000</b>	<b>1,916,000,000</b>
<b>Debentures-</b>		
Bangladesh House Building Finance Corporation (Maturity date: 14 March 2015, interest rate: 5.50%)	35,000,000	40,000,000
	<b>35,000,000</b>	<b>40,000,000</b>
	<b>1,373,057,878</b>	<b>3,976,617,161</b>
<b>Government bonds</b>		
Prize bonds	3,980,600	4,157,300
Treasury bonds (Note: 6.1.1)	5,782,144,784	1,874,495,000
	<b>5,786,125,384</b>	<b>1,878,652,300</b>
<b>Total Government securities</b>	<b>7,159,183,261</b>	<b>5,855,269,461</b>
<b>6.2 Other investments</b>		
Shares (Note 6.2.1)	4,074,596,864	2,857,001,068
Zero Coupon bond	30,000,000	-
<b>Investments -ABBL, Mumbai branch</b>		
Treasury bills	140,332,547	147,103,502
Debentures and bonds	4,423,390	25,227,100
	<b>144,755,937</b>	<b>172,330,602</b>
<b>Total other investments</b>	<b>4,249,352,801</b>	<b>3,029,331,670</b>
<b>Total investments</b>	<b>11,408,536,062</b>	<b>8,884,601,130</b>

### 6.1.1 Treasury bonds

			<b>31.12.2008</b> <b>Taka</b>	<b>31.12.2007</b> <b>Taka</b>
<u>Type</u>	<u>Rate of interest</u>	<u>Maturity date</u>		
05 years T&T Bond	5.00%	01 March 2008	-	10,295,000
BD Govt. Treasury Bond	10.82%	18 July 2012	170,800,000	170,800,000
BD Govt. Treasury Bond	12.19%	04 July 2017	-	141,400,000
BD Govt. Treasury Bond	10.82%	18 July 2012	120,000,000	120,000,000
BD Govt. Treasury Bond	12.19%	04 July 2017	-	210,000,000
BD Govt. Treasury Bond	12.15%	08 August 2017	-	122,000,000
BD Govt. Treasury Bond	10.74%	19 September 2012	250,000,000	250,000,000
BD Govt. Treasury Bond	10.69%	17 October 2012	30,000,000	30,000,000
BD Govt. Treasury Bond	10.65%	21 November 2012	100,000,000	100,000,000
BD Govt. Treasury Bond	10.65%	21 November 2012	50,000,000	50,000,000
BD Govt. Treasury Bond	11.74%	05 December 2017	20,000,000	20,000,000
BD Govt. Treasury Bond	10.65%	19 December 2012	100,000,000	100,000,000
BD Govt. Treasury Bond	11.74%	02 January 2018	450,000,000	-
BD Govt. Treasury Bond	11.72%	06 February 2018	282,000,000	-
BD Govt. Treasury Bond	11.72%	02 April 2018	207,500,000	-
BD Govt. Treasury Bond	11.72%	04 June 2018	150,000,000	-
BD Govt. Treasury Bond	11.72%	02 July 2018	152,000,000	-
BD Govt. Treasury Bond	11.72%	02 July 2018	200,000,000	-
BD Govt. Treasury Bond	11.72%	02 July 2018	145,500,000	-
BD Govt. Treasury Bond	11.72%	06 August 2018	200,000,000	-
BD Govt. Treasury Bond	11.72%	06 August 2018	155,000,000	-
BD Govt. Treasury Bond	11.72%	06 August 2018	145,000,000	-
BD Govt. Treasury Bond	11.72%	06 August 2018	100,450,622	-
BD Govt. Treasury Bond	11.72%	03 September 2018	95,340,989	-
BD Govt. Treasury Bond	11.72%	08 October 2018	150,323,566	-
BD Govt. Treasury Bond	11.72%	08 October 2018	153,129,606	-
			<b>3,427,044,784</b>	<b>1,324,495,000</b>

#### Treasury bonds - Reverse Repo

BD Govt. Treasury Bond	8.75%	01 January 2009	1,455,100,000	-
BD Govt. Treasury Bond	8.75%	01 January 2009	300,000,000	-
BD Govt. Treasury Bond	9.50%	05 February 2009	200,000,000	-
BD Govt. Treasury Bond	9.50%	15 February 2009	250,000,000	-
BD Govt. Treasury Bond	9.75%	04 March 2009	150,000,000	-
BD Govt. Treasury Bond	8.10%	05 February 2008	-	200,000,000
BD Govt. Treasury Bond	8.10%	10 February 2008	-	150,000,000
BD Govt. Treasury Bond	8.80%	10 November 2008	-	200,000,000
			<b>2,355,100,000</b>	<b>550,000,000</b>
			<b>5,782,144,784</b>	<b>1,874,495,000</b>

#### Treasury Bond - Reverse Repo (Bank wise) :

Jamuna Bank Ltd	1,905,100,000	-
Eastern Bank Ltd.	450,000,000	400,000,000
City Bank Ltd.	-	150,000,000
	<b>2,355,100,000</b>	<b>550,000,000</b>

### 6.2.1 Others Investment

In shares (quoted and unquoted)

#### Quoted

Powergrid Company Ltd.	889,558,736	1,134,740,098
International Finance Investment and Commerce Bank Ltd.	123,351,866	123,351,866
Beximco Pharma Ltd.	366,687,426	40,292,685
Square Pharmaceuticals Ltd.	44,222,650	157,016,144
Southeast Bank Ltd.	61,441,040	69,474,785
Prime Bank Ltd.	1,172,609	25,321,099
Beximco Ltd.	241,400,781	151,175,000
Social Investment Bank Ltd.	28,882,834	17,791,549
Lafarge Surma Cement Ltd.	553,990,123	551,945,524
	<b>31.12.2008</b>	<b>31.12.2007</b>

	Taka	Taka
National Life Insurance Company Ltd.	47,059,951	552,880
Usmania Glass Sheet Factory Ltd.	23,520,129	1,315,289
DESCO	27,520,600	65,293,926
People's Leasing and Financial Services Ltd.	516,953	1,993,904
Prime Life Insurance Company Ltd.	381,137	2,569,750
Heidelberg Cement Ltd.	66,209,775	13,026,781
ACI Ltd.	268,604,265	-
United Commercial Bank Ltd.	487,688,713	-
Apex Adelchi Ltd.	273,017,178	-
Apex Tannery Ltd.	19,819,715	-
Shinepukur Ceramic Company Ltd.	198,000,000	-
Summit Alliance Port Ltd.	35,943,713	-
Meghna Cement Ltd.	17,421,423	-
Miracle Industries Ltd.	2,379,850	-
Titas Gas Ltd.	55,479,375	-
Premier Bank Ltd.	62,713,275	-
Meghna Life Insurance Company Ltd.	15,761,802	-
Green Delta Insurance Company Ltd.	831,360	-
Pubali Bank Ltd.	1,433,475	-
Islamic Finance and Investment Company Ltd.	4,626,113	-
JMI Bangla Company Ltd.	960,000	3,960,000
Mutual Trust Bank Ltd.	-	3,877,090
Fareast Life Insurance Company Ltd.	-	32,916,184
Uttara Bank Ltd.	-	12,690,807
Summit Power Ltd.	-	19,064,662
Standard Bank Ltd.	-	19,757,559
Exim Bank Ltd.	-	45,535,356
Square Textiles Ltd.	-	4,932,712
One Bank Ltd.	-	5,756,929
Bank Asia Ltd.	-	5,984,202
National Tubes Ltd.	-	2,036,407
United Leasing Company Ltd.	-	1,666,892
Jamuna Bank Ltd.	-	38,826,709
City Bank Ltd.	-	10,805,668
Mercantile Bank Ltd.	-	1,653,618
Uttara Finance and Investments Ltd.	-	5,538,190
Islami Bank Bangladesh Ltd.	-	14,397,770
Popular Life Insurance Company Ltd.	-	75,302
NCC Bank Ltd.	-	111,271,948
Eastern Bank Ltd.	-	24,499,807
Industrial Development and Leasing Company of Bangladesh Ltd.	-	8,157,105
MIDAS Financing Ltd.	-	1,699,725
Renata Ltd.	-	136,136
Brac Bank Ltd.	-	45,480,028
National Bank Ltd.	-	2,493,584
Shahjalal Bank Ltd.	-	51,554,328
Bextex Ltd.	-	98,825
LankaBangla Finance Ltd.	-	6,272,244
	<b>3,920,596,864</b>	<b>2,837,001,068</b>
<u>Unquoted</u>		
Central Depository Bangladesh Ltd.	10,000,000	10,000,000
Everest Power Ltd.	50,000,000	-
Cash Link Bangladesh Ltd.	84,000,000	-
Industrial and Infrastructure Development Finance Company Ltd.	10,000,000	10,000,000
	<b>154,000,000</b>	<b>20,000,000</b>
	<b>4,074,596,864</b>	<b>2,857,001,068</b>

(A Schedule of Investment in shares is given in **Annexure - B**)

	<b>31.12.2008</b> <b>Taka</b>	<b>31.12.2007</b> <b>Taka</b>
<b>6.3 Maturity grouping</b>		
Repayable – on demand	2,870,019,373	1,459,493,371
– upto 3 months	1,418,899,973	3,967,191,025
– over 3 months but below 1 year	2,802,652,560	2,058,489,634
– over 1 year but below 5 years	1,665,719,373	866,027,100
– over 5 years	2,651,244,784	533,400,000
	<b>11,408,536,062</b>	<b>8,884,601,130</b>
<b>7. Loans and advances</b>		
<b>7.1 Maturity grouping</b>		
Repayable – on demand	8,157,644,320	3,639,774,217
– upto 3 months	12,578,185,336	4,357,912,685
– over 3 months but below 1 year	32,275,265,435	22,733,045,218
– over 1 year but below 5 years	1,134,175,438	8,183,043,966
– over 5 years	267,087,719	390,125,215
	<b>54,412,358,249</b>	<b>39,303,901,301</b>
<b>7.2 Broad category-wise breakup</b>		
<b>In Bangladesh</b>		
Loans	32,998,371,906	23,210,374,692
Overdrafts	21,074,025,125	15,780,452,000
Cash credits	-	-
	<b>54,072,397,031</b>	<b>38,990,826,692</b>
<b>Outside Bangladesh: ABBL, Mumbai Branch</b>		
Loans	309,577,962	264,038,694
Overdrafts	30,383,256	49,035,915
Cash credits	-	-
	<b>339,961,218</b>	<b>313,074,609</b>
	<b>54,412,358,249</b>	<b>39,303,901,301</b>
<b>7.3 Significant concentration</b>		
Advances to allied concerns of Directors	-	-
Advances to Chief Executive	11,793,723	14,067,925
Advances to industries	21,833,700,000	12,510,480,506
Advances to customer groups	32,566,864,526	26,779,352,870
	<b>54,412,358,249</b>	<b>39,303,901,301</b>
<b>7.4 Advances to customers for more than 10% of Bank's total capital</b>		
Total capital of the Bank	7,439,796,153	4,785,078,287
Number of clients	34	53
Amount of outstanding advances	18,732,200,000	12,359,400,000
Amount of classified advances	-	-
Measures taken for recovery	Not applicable	Not applicable
<b>7.5 Industry-wise loans and advances</b>		
Agriculture	802,000,000	850,500,000
Large and medium scale industry	8,169,307,374	5,139,180,506
Working capital	10,614,584,118	6,105,935,915
Export	3,035,433,304	2,236,600,000
Commercial lending	20,614,600,000	17,813,300,000
Small and cottage industry	32,900,000	36,600,000
Others	11,143,533,453	7,121,784,880
	<b>54,412,358,249</b>	<b>39,303,901,301</b>

	31.12.2008 Taka	31.12.2007 Taka
<b>7.6 Geographical location-wise (division) distribution</b>		
<b>In Bangladesh</b>		
Urban Branches (51 Branches)		
Dhaka	33,019,277,814	22,178,371,431
Chittagong	13,404,459,566	11,751,687,023
Khulna	1,794,520,559	1,279,436,257
Sylhet	964,183,598	822,347,909
Barisal	181,003,528	148,019,622
Rajshahi	1,812,549,475	822,633,002
	<u>51,175,994,540</u>	<u>37,002,495,244</u>
Rural Branches (20 Branches)		
Dhaka	1,674,901,710	1,169,917,692
Chittagong	608,321,666	383,422,145
Khulna	276,909,646	221,965,448
Sylhet	336,269,470	213,026,163
Barisal	-	-
Rajshahi	-	-
	<u>2,896,402,492</u>	<u>1,988,331,448</u>
<b>Outside Bangladesh</b>		
ABBL, Mumbai Branch	339,961,218	313,074,609
	<u><b>54,412,358,249</b></u>	<u><b>39,303,901,301</b></u>
<b>7.7 Classification of loans and advances</b>		
<u>Unclassified</u>		
Standard	52,492,279,672	37,412,495,301
Special mention account	224,697,000	128,770,000
Total unclassified loans and advances	<u>52,716,976,672</u>	<u>37,541,265,301</u>
<u>Classified</u>		
Substandard	228,697,000	200,622,000
Doubtful	132,596,000	231,123,000
Bad/Loss	1,334,088,577	1,330,891,000
Total classified loans and advances	<u>1,695,381,577</u>	<u>1,762,636,000</u>
	<u><b>54,412,358,249</b></u>	<u><b>39,303,901,301</b></u>
<b>7.8 Particulars of loans and advances</b>		
(i) Loans considered good in respect of which the Bank is fully secured	44,962,535,293	29,874,301,301
(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	9,449,822,956	9,429,600,000
(iv) Loans adversely classified but provision not maintained thereagainst	-	-
	<u><b>54,412,358,249</b></u>	<u><b>39,303,901,301</b></u>

	31.12.2008 Taka	31.12.2007 Taka
(v) Loans due by directors or officers of the Bank or any of them either separately or jointly with any other persons [note 7.8 (a)]	203,469,000	183,856,000
(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 7.8 (a)]	203,469,000	183,856,000
(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)	(1,739,267)	244,354,702
(b) Amount of loan written off	105,069,000	19,314,000
(c) Amount realised against loan previously written off	63,036,000	11,431,000
(d) Provision kept against loans classified as bad /loss on the date of preparing the balance sheet	658,205,595	659,944,862
(e) Interest charged to interest suspense account	82,628,503	133,205,948
(xi) Written off loan		
During the year	105,069,000	19,314,000
Cumulative to-date (as per Bangladesh Bank guidelines)	3,842,269,000	3,737,200,000
Cumulative to-date (in amicable settlement)	438,679,106	438,679,106
	4,280,948,106	4,175,879,106
The amount of written off loans for which lawsuits have been filed for its recovery	15,469,000	9,236,000

7.8 (a) The amount represents loans due only by the employees of the Bank.

## 7.9 Securities wise loans and advances

### Nature of security

Collateral of movable/immovable assets	32,330,785,682	25,394,642,694
Cash collateral	3,287,611,604	2,240,315,000
Banks and financial institutions guarantee	352,176,519	22,772,000
Personal guarantee	5,370,947,562	3,761,078,000
Corporate guarantee	4,635,303,983	4,996,417,000
Other securities	8,435,532,899	2,888,676,607
	<b>54,412,358,249</b>	<b>39,303,901,301</b>

## 8. Bills purchased and discounted

In Bangladesh	2,190,741,253	1,389,037,597
Outside Bangladesh - ABBL, Mumbai Branch	105,672,403	222,413,321
	<b>2,296,413,657</b>	<b>1,611,450,918</b>

## 8.1 Maturity grouping

Repayable – within 1 month	688,924,097	452,237,918
– over 1 month but within 3 months	1,331,919,921	961,213,000
– over 3 months but within 6 months	275,569,639	198,000,000
– over 6 months	-	-
	<b>2,296,413,657</b>	<b>1,611,450,918</b>

	31.12.2008 Taka	31.12.2007 Taka
<b>9. Fixed assets including premises, furniture and fixtures</b>		
<b>Cost:</b>		
Land and Building	1,900,594,080	1,920,237,894
Furniture and fixtures	178,652,199	163,074,709
Office appliances	48,633,015	52,489,221
Electrical appliances	595,748,777	500,377,728
Motor vehicles	265,058,436	167,659,150
Leasehold assets	8,020,074	61,000,074
	2,996,706,581	2,864,838,776
Less: Accumulated depreciation	552,056,347	483,834,367
	<b>2,444,650,234</b>	<b>2,381,004,409</b>

A Schedule of Fixed Assets is given in **Annexure - D**.

#### 10. Other assets

##### Income generating

In Bangladesh:

Arab Bangladesh Bank Foundation

300,051,122	300,051,122
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Outside Bangladesh:

AB International Finance Ltd., Hong Kong  
(wholly owned subsidiary company of ABBL)

5,203,944	5,203,944
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305,255,066	305,255,066
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##### Non-income generating

Inter-branch adjustment

Advance corporate income tax (Note: 10.1)

Accounts receivable

Preliminary, formation, organisational, renovation,  
development, prepaid expenses and others

Exchange for clearing

Interest accrued on investment but not collected,  
commission and brokerage receivable on shares  
and debentures, and other income receivables

Security deposits

Local drafts paid without advice

Advance rent and advertisement

Stationery, stamps, printing materials, etc

Interest on bearer certificates of deposit

651,672,022	660,164,560
1,828,324,016	1,064,223,048
1,028,589,408	1,275,187,971
1,108,752,578	558,600,564
471,174,214	441,335,765
365,974,878	176,342,077
66,190,426	83,656,573
-	3,247,200
50,198,408	45,809,285
28,787,425	20,099,058
-	900,000

5,599,663,376	4,329,566,100
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<b>5,904,918,443</b>	<b>4,634,821,166</b>
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#### 10.1 Advance corporate income tax

In Bangladesh:

Balance at 01 January

Add: Paid during the year

Add: Tax withheld during the year

Less: Settlement during the year

Balance at 31 December

Advance tax paid by ABBL, Mumbai Branch

909,830,893	635,818,904
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896,758,330	125,277,075
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28,062,150	148,734,914
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924,820,480	274,011,989
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144,736,961	-
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1,689,914,412	909,830,893
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138,409,604	154,392,155
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<b>1,828,324,016</b>	<b>1,064,223,048</b>
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		<b>31.12.2008</b>	<b>31.12.2007</b>
		<b>Taka</b>	<b>Taka</b>
<b>12. Deposit and other accounts</b>			
Inter-bank deposits	(Note: 12.1)	7,259,596,546	4,139,916,352
Other deposits	(Note: 12.2)	61,300,877,777	49,235,432,039
		<b>68,560,474,323</b>	<b>53,375,348,391</b>
<b>12.1 Maturity analysis of inter-bank deposits</b>			
Repayable – on demand		199,395,333	34,051,000
– within 1 month		2,962,463,023	280,897,046
– over 1 month but within 3 months		1,277,953,640	1,719,798,639
– over 3 months but within 1 year		2,819,784,550	2,105,169,667
– over 1 year but within 5 years		-	-
– over 5 years but within 10 years		-	-
– over 10 years		-	-
		<b>7,259,596,546</b>	<b>4,139,916,352</b>
<b>12.2 Maturity analysis of other deposits</b>			
Repayable – on demand		101,104,667	2,734,190,779
– within 1 month		6,995,814,679	4,156,984,631
– over 1 month but within 3 months		17,850,634,800	10,871,425,925
– over 3 months but within 1 year		31,566,566,760	24,990,953,791
– over 1 year but within 5 years		2,515,790,003	5,651,376,913
– over 5 years but within 10 years		2,270,966,869	830,500,000
– over 10 years		-	-
		<b>61,300,877,777</b>	<b>49,235,432,039</b>
<b>13. Other liabilities</b>			
Accumulated provision against loans and advances	(Note 13.1)	1,349,205,714	1,146,617,277
Accrued profit on investment - Islami banking branch		74,364,030	26,691,843
Reverse repo adjustment account		-	166,000,000
Provision for current tax	(Note: 13.2)	2,556,729,929	1,327,278,219
Deferred tax liabilities	(Note: 13.3)	1,616,023	83,271,707
Interest suspense account	(Note: 13.4)	326,528,758	275,385,254
Retained revenue with ABBL, Mumbai Branch		87,621,563	76,533,483
Provision against other assets	(Note: 13.5)	167,335,215	88,388,215
Provision for outstanding debit entries in NOSTRO accounts		200,000	-
Exchange equalisation account		47,966,966	47,966,966
Accounts payable - Bangladesh Bank		68,171,456	56,460,356
Accrued expenses		11,454,975	26,696,812
Provision for gratuity	(Note: 13.6)	-	89,575,860
Provision for off balance sheet items	(Note: 13.7)	280,000,000	80,000,000
Provision against investments	(Note: 13.8)	142,553,000	25,400,000
Obligation under finance lease	(Note: 13.9)	565,427	10,432,365
Exchange fluctuation adjustment account - ABBL, Mumbai Branch		48,890,548	164,608,040
Others (*)		414,086,274	99,610,322
		<b>5,577,289,877</b>	<b>3,790,916,719</b>
(*) 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.			
<b>13.1 Accumulated provision against loans and advances</b>			
<u>The movement in specific provision for bad and doubtful debts</u>			
Balance at 01 January		659,944,862	415,590,160
Fully provided debts written off during the year	(-)	96,995,405	1,441,000
Recovery of amounts previously written off	(+)	-	-
Specific provision made for the year	(+)	91,410,500	245,795,702
Recoveries and provision no longer required	(-)	-	-
Net charge to Profit and Loss Statement	(+)	-	-
		<b>(5,584,905)</b>	<b>244,354,702</b>
Balance at 31 December		654,359,957	659,944,862
Provision made by ABBL, Mumbai Branch		3,845,638	-
<b>Total provision on classified loans and advances</b>		<b>658,205,595</b>	<b>659,944,862</b>

		<b>31.12.2008</b>	<b>31.12.2007</b>
		<b>Taka</b>	<b>Taka</b>
<u>On unclassified loans</u>			
Balance at 01 January		448,050,000	356,000,000
Transfer from provision for other assets	(+)	20,200,000	-
Recoveries and provision no longer required	(-)	-	-
General provision made for the year	(+)	189,856,015	92,050,000
		<u>210,056,015</u>	<u>92,050,000</u>
Balance at 31 December		658,106,015	448,050,000
Provision made by MBW		28,154,298	28,154,298
Provision made by ABBL, Mumbai Branch		4,739,806	10,468,117
<b>Total provision on un-classified loans and advances</b>		<b>691,000,119</b>	<b>486,672,415</b>
<b>Total provision on loans and advances</b>		<b>1,349,205,714</b>	<b>1,146,617,277</b>
<u>Provision for</u>	<u>Required</u>	<u>Maintained</u>	<u>Excess/(Shortage)</u>
Un-classified loans and advances	613,180,414	691,000,119	77,819,705
Classified loans and advances	654,425,081	658,205,595	3,780,514
	<u>1,267,605,495</u>	<u>1,349,205,714</u>	<u>81,600,219</u>

### 13.2 Provision for current tax

Balance at 01 January	1,222,843,244	391,614,951
Add: Provision made during the year	1,381,655,684	831,228,293
Less: Adjustment during the year	144,736,961	-
Balance at 31 December	<u>2,459,761,967</u>	<u>1,222,843,244</u>
Provision made by ABBL, Mumbai Branch	96,967,962	104,434,975
	<b>2,556,729,929</b>	<b>1,327,278,219</b>

Tax provision for the year 2008 (assessment year 2009-2010) has 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 filed reference applications before the Hon'ble High Court. Assessment for the financial year 2004 has been disputed by the Bank in appeal. Assessment for the financial year 2007 is under process.

### 13.3 Deferred tax liabilities

Balance at 01 January	83,271,707	-
Add: Provision made during the year	-	83,271,707
Less: Adjustment during the year	81,655,684	-
<b>Balance at 31 December</b>	<b>1,616,023</b>	<b>83,271,707</b>

### 13.4 Interest suspense account

Balance at 01 January		275,385,254	189,967,306
Transfer during the year	(+)	82,628,503	133,205,948
Recovery during the year	(-)	17,542,000	28,851,000
Write off during the year	(-)	13,943,000	18,937,000
Balance at 31 December		<u>326,528,758</u>	<u>275,385,254</u>

### 13.5 Provision against other assets

<u>Provision for</u>			
Prepaid legal expenses		49,700,000	49,700,000
Protested bills		18,033,215	18,033,215
Balance with BCCI, London		120,000	455,000
London Representative Office		1,708,494	-
Myanmar Representative Office		1,112,430	-
Korbanigonj property		-	20,200,000
Others		96,661,076	-
		<u>167,335,215</u>	<u>88,388,215</u>

Provision against other assets was made as per BRPD Circular # 14 dated 25 June 2001 issued by Bangladesh Bank.

	<b>31.12.2008</b> <b>Taka</b>	<b>31.12.2007</b> <b>Taka</b>
<b>13.6 Provision for gratuity</b>		
Balance at 01 January	89,575,860	29,614,872
Add: Provision made during the year	-	60,000,000
Less: Transfer to gratuity fund	89,575,860	-
Less: Adjustment during the year	-	39,012
<b>Balance at 31 December</b>	<b>-</b>	<b>89,575,860</b>

**13.7 Provision for off balance sheet items**

Balance at 01 January	80,000,000	-
Add: Provision made during the year	200,000,000	80,000,000
Less: Adjustment during the year	-	-
<b>Balance at 31 December</b>	<b>280,000,000</b>	<b>80,000,000</b>

**13.8 Provision against investments**

Balance at 01 January	25,400,000	16,000,000
Add: Provision made during the year	117,153,000	9,400,000
Less: Adjustment during the year	-	-
<b>Balance at 31 December</b>	<b>142,553,000</b>	<b>25,400,000</b>

**13.9 Obligation under finance lease**

Lease obligation as of 31 December is repayable as follows:

<u>Year</u>	<u>Particulars</u>	<u>Taka</u>
2009	Obligation to Uttara Finance and Investments Ltd.	565,427

**14. Share Capital**

**2,229,785,400**      **743,261,800**

**14.1 Authorised Capital**

30,000,000 ordinary shares of Taka 100 each

**3,000,000,000**      **2,000,000,000**

**14.2 Issued, Subscribed and Paid-up Capital**

1,500,000 ordinary shares of Taka 100 each issued for cash  
20,797,854 ordinary shares of Taka 100 each issued as bonus shares

150,000,000	150,000,000
2,079,785,400	593,261,800
<b>2,229,785,400</b>	<b>743,261,800</b>

**14.3 Percentage of shareholding**

<u>Particulars</u>	<u>As at 31 December 2008</u>		<u>As at 31 December 2007</u>	
	No. of shares	%	No. of shares	%
Sponsors and public	22,169,889	99.43	7,389,963	99.43
Government	127,965	0.57	42,655	0.57
	<b>22,297,854</b>	<b>100.00</b>	<b>7,432,618</b>	<b>100.00</b>

**14.4 Classification of shareholders by holding**

<u>Holding</u>	<u>No. of holders</u>		<u>% of total holding</u>	
	2008	2007	2008	2007
Upto 500	63,332	14,395	97.08	97.43
501 to 5,000	1,730	303	2.65	2.05
5,001 to 10,000	65	19	0.10	0.13
10,001 to 20,000	33	13	0.05	0.09
20,001 to 30,000	19	7	0.03	0.05
30,001 to 40,000	9	7	0.01	0.05
40,001 to 50,000	9	4	0.01	0.03
50,001 to 100,000	13	9	0.02	0.06
100,001 to 1,000,000	22	17	0.03	0.12
Over 1,000,000	2	-	0.00	-
	<b>65,234</b>	<b>14,774</b>	<b>100.00</b>	<b>100.00</b>

#### 14.5 Names of the Directors and their shareholding as at 31 December 2008

Name of the Director	Status	No of Shareholding	
		As at 31 Dec 2008	As at 31 Dec 2007
Mr. M. Wahidul Haque	Chairman	4,827	2,863
Mr. Salim Ahmed	Vice-Chairman	526,686	-
Mr. Feroz Ahmed	Director	462,654	-
Mr. M. A. Awal	Director	140	-
Mr. Shishir Ranjan Bose, FCA	Independent Director	100	-
Mr. Faheemul Huq, Barrister - at -Law	Director	100	-
Mr. Syed Afzal Hasan Uddin, Barrister - at -Law	Director	100	-
Mr. Mishaal Kabir	Director	100	-
Mr. Md. Salah Uddin	Director	100	-
Mr. Md. Mesbahul Hoque	Director	100	-
Mr. Md. Anwar Jamil Siddiqui	Director	100	-
Dr. M. Imtiaz Hossain	Depositor Director	-	-
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, 10, 07, 01, 05 and 03 dated 08 January 1996, 16 November 1996, 25 November 2002, 28 August 2006, 19 February 2007, 14 May 2007 and 12 March 2008 respectively, required capital of the Bank at the close of business on 31 December 2008 is Taka 5,795,436,334 as against available core capital of Taka 6,127,875,298 and supplementary capital of Taka 1,311,920,855 that is, a total of Taka 7,439,796,153 thereby showing surplus capital/equity of Taka 1,644,359,819 at that date. Details are shown below:

	31.12.2008 Taka	31.12.2007 Taka
<b>14.6.1 Core capital (Tier I)</b>		
Paid-up capital	2,229,785,400	743,261,800
Non-repayable share premium account	-	-
Statutory reserve	2,066,121,258	1,356,905,450
General and other reserve	42,199,200	42,199,200
Retained earnings	1,789,769,440	1,695,795,728
Non-cumulative irredeemable preference share	-	-
Dividend equalisation account	-	-
	<b>6,127,875,298</b>	<b>3,838,162,178</b>
<b>14.6.2 Supplementary capital (Tier II)</b>		
General provision maintained against unclassified loans	691,000,119	486,672,415
General provision maintained against off-balance sheet items	280,000,000	80,000,000
Assets revaluation reserves	292,505,905	332,276,728
All other preference shares	-	-
Perpetual subordinated debts	-	-
Exchange equalisation account	47,966,966	47,966,966
Revaluation reserves of HTM Securities (Upto 50% of the revaluation reserves)	447,865	-
	<b>1,311,920,855</b>	<b>946,916,109</b>
<b>A. Total Eligible Capital</b>	<b>7,439,796,153</b>	<b>4,785,078,287</b>
Total assets including off-Balance Sheet items	110,127,943,568	82,140,324,602
Total risk-weighted assets	57,954,363,343	44,545,704,746
<b>B. Required capital (10% of risk-weighted assets)</b>	<b>5,795,436,334</b>	<b>4,454,570,475</b>
<u>Actual capital maintained</u>		
Core capital, Tier-I	(Note: 14.6.1) 6,127,875,298	3,838,162,178
Supplementary capital, Tier II	(Note: 14.6.2) 1,311,920,855	946,916,109
	7,439,796,153	4,785,078,287
<b>Capital Surplus / (Shortfall) [A-B]</b>	<b>1,644,359,819</b>	<b>330,507,812</b>
<b>Capital adequacy ratio</b>	<b>12.84%</b>	<b>10.75%</b>

#### 14.7 Capital requirement

	As at 31 Dec 2008		As at 31 Dec 2007	
	Required	Holding	Required	Holding
Core capital	5.00%	10.57%	5.00%	8.62%
Supplementary capital	-	2.27%	-	2.13%

		<b>31.12.2008</b>	<b>31.12.2007</b>
		<b>Taka</b>	<b>Taka</b>
<b>15. Statutory reserve</b>			
<b>In Bangladesh</b>			
Opening balance		1,251,821,530	688,222,761
Add: Addition during the year (20% of pre-tax profit)		720,124,328	563,598,769
Closing balance		<u>1,971,945,858</u>	<u>1,251,821,530</u>
<b>Outside Bangladesh - ABL, Mumbai Branch</b>			
Opening balance		105,083,920	84,644,860
Add: Addition during the year		7,990,640	20,439,060
Less: Adjustment for Foreign Exchange Rate Fluctuation	( Note: 15.1)	18,899,160	-
Closing balance		<u>94,175,400</u>	<u>105,083,920</u>
		<u><b>2,066,121,258</b></u>	<u><b>1,356,905,450</b></u>
<b>15.1 Adjustment for Foreign Exchange Rate Fluctuation</b>			
	<b>Indian Rupees</b>	<b>Year</b>	<b>Conversion rate</b>
			<b>Taka</b>
Opening balance	60,400,000	2007	1.7398
Restated opening balance	60,400,000	2008	1.4269
			<u><b>18,899,160</b></u>
<b>16. Other reserve</b>			
General reserve	(Note: 16.1)	42,199,200	42,199,200
Assets revaluation reserve	(Note: 16.2)	585,011,810	598,054,760
Investment revaluation reserve	(Note: 16.3)	9,618,239	75,372,327
Share premium account	(Note: 16.4)	-	-
		<u><b>636,829,248</b></u>	<u><b>715,626,287</b></u>
<b>16.1 General reserve</b>			
<b>In Bangladesh</b>			
Opening balance		42,199,200	41,855,300
Add : Addition during the year		-	-
Transfer from share premium		-	343,900
		<u>42,199,200</u>	<u>42,199,200</u>
<b>Outside Bangladesh</b>			
ABBL, Mumbai branch		-	-
		<u><b>42,199,200</b></u>	<u><b>42,199,200</b></u>
<b>16.2 Assets revaluation reserve</b>			
Opening balance		598,054,760	633,417,794
Add : Addition during the year		-	-
Less : Adjustment during the year		13,042,950	35,363,034
		<u><b>585,011,810</b></u>	<u><b>598,054,760</b></u>
<b>16.3 Investment revaluation reserve ( Treasury Bills &amp; Treasury Bonds)</b>			
<b>In Bangladesh</b>			
Revaluation Reserve for:			
Held to Maturity (HTM)	(Note: 16.3.1)	895,731	66,498,696
Held for Trading (HFM)	(Note: 16.3.2)	1,444,784	-
		<u>2,340,515</u>	<u>66,498,696</u>
<b>Outside Bangladesh</b>			
ABBL, Mumbai branch		7,277,724	8,873,631
		<u><b>9,618,239</b></u>	<u><b>75,372,327</b></u>

	<b>31.12.2008</b> <b>Taka</b>	<b>31.12.2007</b> <b>Taka</b>
<b>16.3.1 Revaluation Reserve for Held to Maturity (HTM)</b>		
Opening balance	66,498,696	-
Add: Addition during the year	895,731	66,498,696
	67,394,427	66,498,696
Less: Adjustment during the year	66,498,696	-
	<b>895,731</b>	<b>66,498,696</b>

<b>16.3.1 Revaluation Reserve for Held for Trading (HFT)</b>		
Opening balance	-	-
Add: Addition during the year	32,862,095	-
	32,862,095	-
Less: Adjustment during the year	31,417,311	-
	<b>1,444,784</b>	<b>-</b>

Interest income of HTM and HFT securities transferred to Revaluation Reserve Account as per Bangladesh Bank DOS Circular No. 05 dated 26.05.2008 of which 50% of revaluation reserve for HTM will be treated as Supplementary Capital.

<b>16.4 Share premium account</b>		
Opening balance	-	343,900
Add: Receipt during the year	-	-
Less : Transfer to general reserve	-	343,900
	<b>-</b>	<b>-</b>

<b>17. Retained earnings</b>		
Opening balance	1,695,795,728	554,558,252
Add: Post-tax profit for the year	2,300,621,640	1,903,493,845
Less: Transfer to statutory reserve	720,124,328	563,598,769
Adjustment during the year	-	27,135,800
Issue of bonus shares - 2007	1,486,523,600	171,521,800
	<b>1,789,769,440</b>	<b>1,695,795,728</b>

<b>18. Contingent liabilities</b>	<b>26,074,330,983</b>	<b>18,590,460,199</b>
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<b>18.1 Letters of guarantee</b>		
Money for which the Bank is in contingently liable in respect of guarantees issued favouring:		
Directors	-	-
Government	-	-
Banks and other financial institutions	-	-
Others	4,783,891,967	3,812,034,559
	<b>4,783,891,967</b>	<b>3,812,034,559</b>

	<b>2008 Taka</b>	<b>2007 Taka</b>
<b>19. Profit and loss account</b>		
<u>Income:</u>		
Interest, discount and similar income	7,967,919,523	5,523,091,251
Dividend income	140,634,046	41,387,078
Fee, commission and brokerage	1,386,225,802	955,024,746
Gains less losses arising from investment securities	1,374,818,145	1,439,732,777
Gains less losses arising from dealing in foreign currencies	372,793,369	350,314,176
Other operating income	206,424,306	177,654,705
Gains less losses arising from dealing securities	36,363,961	-
Income from non-banking assets	-	-
Profit less losses on interest rate changes	-	-
	<b>11,485,179,152</b>	<b>8,487,204,733</b>
<u>Expenses:</u>		
Interest, fee and commission	5,336,153,274	3,830,623,489
Administrative expenses	1,344,683,494	978,591,760
Other operating expenses	375,711,044	258,934,177
Depreciation on banking assets	130,243,184	93,761,462
Losses on loans and advances	-	-
	<b>7,186,790,997</b>	<b>5,161,910,888</b>
	<b>4,298,388,155</b>	<b>3,325,293,845</b>
<b>20. Interest income</b>		
Interest on loans and advances:		
Loans and advances	6,920,212,197	4,753,788,148
Bills purchased and discounted	32,522,057	119,700,737
	<b>6,952,734,253</b>	<b>4,873,488,885</b>
Interest on:		
Calls and placements	206,181,361	200,768,940
Balance with foreign banks	30,601,369	77,650,496
Reverse Repo	161,448,573	70,933,523
Balance with Bangladesh Bank	15,881,657	47,062,815
	<b>414,112,960</b>	<b>396,415,775</b>
Profit/(Loss) due to change in interest rate	-	-
	<b>7,366,847,213</b>	<b>5,269,904,660</b>
<b>21. Interest paid on deposits, borrowings, etc</b>		
Interest on deposits:		
Fixed deposits	4,011,611,328	3,077,651,257
Savings deposits	427,619,944	393,407,729
Short-term deposits	240,612,758	172,319,540
Other deposits	321,941,782	131,362,080
	<b>5,001,785,812</b>	<b>3,774,740,607</b>
Interest on borrowings:		
Local banks, financial institutions including Bangladesh Bank	334,367,462	55,781,152
Nostro overdrawn	-	101,730
	<b>334,367,462</b>	<b>55,882,882</b>
	<b>5,336,153,274</b>	<b>3,830,623,489</b>

	<b>2008 Taka</b>	<b>2007 Taka</b>
<b>22. Investment income</b>		
Capital gain on sale of shares	1,374,818,145	1,439,732,777
Interest on treasury bills	211,671,593	200,995,618
Dividend on shares	140,634,046	41,387,078
Interest on debentures	3,609,375	2,887,500
Interest on treasury bonds	383,472,730	49,303,474
Gain on treasury bills and treasury bonds	36,363,961	-
Interest on other bonds	2,318,613	-
	<b><u>2,152,888,463</u></b>	<b><u>1,734,306,446</u></b>
<b>23. Commission, exchange and brokerage</b>		
Other fees, commission and service charges	959,379,390	650,458,617
Commission on letters of credit	348,065,477	236,185,522
Commission on letters of guarantee	78,780,934	68,380,608
Exchange gains less losses arising from dealings in foreign currencies	372,793,369	350,314,176
Brokerage	-	-
	<b><u>1,759,019,171</u></b>	<b><u>1,305,338,922</u></b>
<b>24. Other income</b>		
Locker rent, insurance claim and others	11,952,566	21,167,743
Recoveries on loans previously written off	63,229,802	11,483,420
Profit remitted by ABBL, Mumbai Branch	26,988,675	33,107,113
Recoveries on telex, telephone, fax, etc	19,596,732	13,568,533
Recoveries on courier, postage, stamp, etc	23,739,965	19,163,511
Finance charge from ABBF	50,751,234	59,382,744
Non-operating income (*)	10,105,333	19,771,241
Rent from Bank's property	60,000	10,400
	<b><u>206,424,306</u></b>	<b><u>177,654,705</u></b>
(*) Non-operating income includes sale of vehicles, old tyres, tubes, newspapers, furniture, fixtures, etc.		
<b>25. Salary and allowances</b>		
Basic salary, provident fund contribution and all other allowances	908,621,180	583,196,636
Festival and incentive bonus	100,054,332	113,579,376
	<b><u>1,008,675,512</u></b>	<b><u>696,776,012</u></b>
<b>26. Rent, taxes, insurance, electricity, etc</b>		
Rent, rates and taxes	107,292,259	91,084,261
Electricity, gas, water, etc	27,101,686	23,991,332
Insurance	39,512,422	29,180,088
	<b><u>173,906,367</u></b>	<b><u>144,255,680</u></b>
<b>27. Legal expenses</b>		
Legal expenses	<b><u>4,409,340</u></b>	<b><u>1,912,103</u></b>
<b>28. Postage, stamp, telecommunication, etc</b>		
Telex, fax, internet, wireless link, SWIFT, etc	36,794,710	34,750,120
Telephone	11,131,416	15,848,859
Postage, stamp and shipping	9,178,947	6,814,172
	<b><u>57,105,073</u></b>	<b><u>57,413,151</u></b>

	<b>2008</b>	<b>2007</b>
	<b>Taka</b>	<b>Taka</b>
<b>29. Stationery, printing, advertisements, etc</b>		
Printing and stationery	44,345,443	35,491,861
Publicity, advertisement, etc	20,643,780	9,228,398
	<b>64,989,223</b>	<b>44,720,259</b>
<b>30. Directors' fees</b>		
Directors' fees	1,499,600	588,600
Meeting expenses	879,349	999,992
	<b>2,378,949</b>	<b>1,588,592</b>
Directors' fees includes fees for attending the meeting of the Board, Executive Committee, Audit Committee and Shariah Council. Each director was remunerated @ Tk.4,000 per meeting.		
<b>31. Auditors' fees</b>		
Statutory	365,750	313,500
Merchant Banking Wing	70,000	274,835
Others	1,126,350	1,528,080
	<b>1,562,100</b>	<b>2,116,415</b>
<b>32. Depreciation and repairs of Bank's assets</b>		
<u>Depreciation:</u>		
Electrical appliances	66,792,722	48,523,185
Leasehold assets	6,540,914	13,186,413
Furniture and fixtures	8,137,273	9,044,226
Office appliances	2,076,089	3,504,036
Building	5,687,292	7,875,855
Motor vehicles	41,008,895	11,627,747
	<b>130,243,184</b>	<b>93,761,462</b>
<u>Repairs:</u>		
Motor vehicles	8,132,210	6,723,562
Electrical appliances	7,533,522	8,892,112
Office premises and others	5,784,188	5,636,920
Furniture and fixtures	562,523	814,123
Office appliances	2,303,035	2,142,836
	<b>24,315,479</b>	<b>24,209,552</b>
	<b>154,558,663</b>	<b>117,971,014</b>
<b>33. Other expenses</b>		
Contractual service	69,296,501	47,655,008
Amortization of deferred revenue expenses	58,370,228	43,067,565
Petrol, oil and lubricant	35,470,405	25,672,329
System programme and software development	9,556,585	13,150,489
Entertainment	21,082,223	15,600,850
Travelling	35,874,132	24,838,216
Subscription, membership and sponsorship	27,943,497	6,459,059
Training, seminar and workshop	5,223,600	3,496,339
Local conveyance	4,735,828	3,787,654
Professional charges	4,272,120	4,728,008
Books, newspapers and periodicals	882,999	1,645,960
Branch opening expenses	393,937	426,920
Sundry expenses (*)	102,608,988	68,405,781
	<b>375,711,044</b>	<b>258,934,177</b>

(\*) Sundry expenses includes corporate expenses, business promotion, expenses on managers' conferences and annual general meeting, loss on sale of assets, non-operating expenses and other miscellaneous expenses.

	<b>2008</b>	<b>2007</b>
	<b>Taka</b>	<b>Taka</b>
<b>34. Provision against loans and advances</b>		
On un-classified loans	189,856,015	120,204,298
On classified loans	91,410,500	245,795,702
	<b>281,266,515</b>	<b>366,000,000</b>
<b>35. Provisions for diminution in value of investments</b>		
In quoted shares	<b>117,153,000</b>	<b>9,400,000</b>
<b>36. Other provision</b>		
Provision for prepaid legal expenses	-	21,700,000
Provision for protested bills	-	10,000,000
Provision for off balance sheet items	200,000,000	80,000,000
Korbanigonj property - Chittagong	-	20,200,000
Provision for Outstanding debit entries in NOSTRO accounts	200,000	-
Provision for Other assets	99,147,000	-
	<b>299,347,000</b>	<b>131,900,000</b>
Provision for prepaid legal expenses and protested bills has been made as per Bangladesh Bank BRPD Circular # 14 dated 25 June 2001.		
<b>37. Appropriations</b>		
Retained earnings - brought forward	1,695,795,728	554,558,252
Less: Adjustment for prior year	-	27,135,800
Add: Post-tax profit for the year	2,300,621,640	1,903,493,845
	3,996,417,368	2,430,916,297
Less: Bonus shares issued - 2007	1,486,523,600	171,521,800
Profit available for distribution	<b>2,509,893,768</b>	<b>2,259,394,497</b>
<b>Transferred to:</b>		
Statutory reserve	720,124,328	563,598,769
General reserve	-	-
Proposed dividend	-	-
	720,124,328	563,598,769
<b>Retained earnings</b>	<b>1,789,769,440</b>	<b>1,695,795,728</b>
<b>38. Earnings per share</b>		
Profit after taxation	2,300,621,640	1,903,493,845
Number of ordinary shares outstanding	22,297,854	22,297,854
Earnings per share	<b>103.18</b>	<b>85.37</b>
Earnings per share (EPS) has been computed by dividing the basic earnings by the number of ordinary shares outstanding as of 31 December 2008 in terms of International Accounting Standard (IAS)-33. Accordingly to IAS-33, EPS for the year 2007 was restated for the issues of bonus share in 2008.		
<b>39. Receipts from other operating activities</b>		
Interest on treasury bills, bonds, debenture and others	2,012,254,416	1,692,919,368
Exchange earnings	372,793,369	350,314,176
Profit remitted by ABBL, Mumbai Branch	-	33,107,113
Recoveries on telex, telephone, fax, etc.	19,596,732	13,568,533
Recoveries on courier, postage, stamp, etc.	23,739,965	19,163,511
Finance charge from ABBF	50,751,234	59,382,744
Non-operating income	10,105,333	19,771,241
Rent from Bank's property	60,000	10,400
Others	11,952,566	21,167,743
	<b>2,501,253,614</b>	<b>2,209,404,829</b>

	<b>2008</b>	<b>2007</b>
	<b>Taka</b>	<b>Taka</b>
<b>40. Payments for other operating activities</b>		
Other expenses	375,711,044	258,934,177
Rent, taxes, insurance, electricity, etc	173,906,367	144,255,680
Postage, stamps, telecommunication, etc	57,105,073	57,413,151
Repairs of Bank's assets	24,315,479	24,209,552
Legal expenses	4,409,340	1,912,103
Directors' fees	2,378,949	1,588,592
	<b>637,826,252</b>	<b>488,313,256</b>

**41. Increase/decrease in other assets**

Inter-branch adjustment	651,672,022	660,164,560
Arab Bangladesh Bank Foundation	300,051,122	300,051,122
Advance corporate income tax	1,828,324,016	1,064,223,048
Preliminary, formation, organizational, renovation, development and prepaid expenses	1,108,752,578	558,600,564
Exchange for clearing	471,174,214	441,335,765
Accounts receivable	1,028,589,408	1,275,187,971
Interest accrued on investment but not collected, commission and brokerage receivable on shares and debentures, and other income receivables	365,974,878	176,342,077
Security deposits	66,190,426	83,656,573
Local draft paid without advice	-	3,247,200
Advance rent and advertisement	50,198,408	45,809,285
Stationery, stamps, printing materials, etc	28,787,425	20,099,058
Investment in AB International Finance Ltd., Hong Kong	5,203,944	5,203,944
Interest on bearer certificates of deposit	-	900,000
	<b>5,904,918,443</b>	<b>4,634,821,166</b>
Less : Payment of corporate income tax	896,758,330	125,277,075
	45,897,223	31,248,319
	<b>942,655,552</b>	<b>156,525,394</b>
	<b>4,962,262,891</b>	<b>4,478,295,771</b>
Net Increase/(decrease)	<b>483,967,119</b>	<b>438,528,076</b>

**42. Increase/decrease in other liabilities**

Accumulated provision against loans and advances	1,349,205,714	1,146,617,277
Reverse repo adjustment account	-	166,000,000
Provision for current tax	2,556,729,929	1,327,278,219
Deferred tax liabilities	1,616,023	83,271,707
Interest suspense account	326,528,758	275,385,254
Exchange fluctuation adjustment account -ABBL, Mumbai Branch	48,890,548	164,608,040
Retained revenue - ABBL, Mumbai Branch	87,621,563	76,533,483
Accounts payable - Bangladesh Bank	68,171,456	56,460,356
Exchange equalization account	47,966,966	47,966,966
Provision against other assets	167,335,215	88,388,215
Provision for gratuity	-	89,575,860
Obligation under finance lease	565,427	10,432,365
Accrued expenses	11,454,975	26,696,812
Provision against investments	142,553,000	25,400,000
Provision against off balance sheet items	280,000,000	80,000,000
Accrued profit on investment - Islami banking branch	74,364,030	26,691,843
Provision for outstanding debit entries in NOSTRO accounts	200,000	-
Others	414,086,274	99,610,322
	<b>5,577,289,877</b>	<b>3,790,916,719</b>
Less: Adjustment for provision	4,543,399,212	2,777,647,261
	<b>1,033,890,664</b>	<b>1,013,269,458</b>
Net Increase/(decrease)	<b>20,621,206</b>	<b>515,416,056</b>

## Outside Bangladesh (Nostro Accounts)

Name of the bank	Location	Name of currency	As at 31 December 2008			As at 31 December 2007		
			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	6,619,629	0.7605	5,034,227	8,071,248	0.6095	4,919,426
HSBC Plc	London	UKP	-	99.6376	-	187,526	136.7204	25,638,678
Lloyds TSB Bank Plc	London	UKP	50,726	99.6376	5,054,192	74,375	136.7204	10,168,611
HSBC	Mumbai	ACUD	3,006	68.9200	207,145	3,806	68.5728	260,961
JP Morgan Chase Bank	New York	USD	-	68.9200	-	2,697,849	68.5728	184,999,044
Sonali Bank	Kolkata	ACUD	36,276	68.9200	2,500,113	11,381	68.5728	780,425
Myanmar Economic Bank	Yangon	USD	410	68.9200	28,256	410	68.5728	28,115
Citibank NA	New York	USD	365,553	68.9200	25,193,940	145,790	68.5728	9,997,261
Hatton National Bank Ltd.	Colombo	ACUD	327	68.9200	22,533	444	68.5728	30,428
Commerz Bank AG	Frankfurt	USD	191,413	68.9200	13,192,163	-	68.5728	-
State Bank of India	Kolkata	ACUD	15,725	68.9200	1,083,788	15,725	68.5728	1,078,329
NIB Bank Ltd.	Karachi	ACUD	37,429	68.9200	2,579,592	39,702	68.5728	2,722,491
Lloyds TSB Bank Plc	London	USD	62,354	68.9200	4,297,465	6,832	68.5728	468,511
Mashreq Bank Psc	New York	USD	171,304	68.9200	11,806,293	17,639	68.5728	1,209,576
Arab Bangladesh Bank Ltd.	Mumbai	ACUD	582,266	68.9200	40,129,759	258,909	68.5728	17,754,149
Nepal Bangladesh Bank Ltd.	Katmandu	ACUD	27,077	68.9200	1,866,129	12,564	68.5728	861,549
Bank of Bhutan	Phuentsholing	ACUD	45,042	68.9200	3,104,276	8,270	68.5728	567,114
HSBC Plc	London	USD	-	68.9200	-	5,147	68.5728	352,969
BCCI	London	USD	1,696	68.9200	116,864	6,542	68.5728	448,611
Wachovia Bank	New York	USD	14,603	68.9200	1,006,416	313,452	68.5728	21,494,269
American Express Bank Ltd.	New York	USD	-	68.9200	-	152,277	68.5728	10,442,044
Habib America Bank	New York	USD	319,354	68.9200	22,009,910	-	68.5728	-
Commerz Bank AG	Frankfurt	EURO	314,042	96.2950	30,240,692	127,547	100.9117	12,871,005
Hypovereins Bank	Humburgh	EURO	33,776	96.2950	3,252,465	41,075	100.9117	4,144,970
HSBC	Karachi	ACUD	10,055	68.9200	693,017	141,927	68.5728	9,732,305
National Commercial Bank Ltd	Jeddah	USD	49,985	68.9200	3,444,965	-	68.5728	-
Reserve Bank of India	Mumbai	INR	15,764,093	1.4269	22,493,783	9,529,908	1.7398	16,580,134
Other commercial banks in India	Mumbai	INR	44,914,419	1.4269	64,088,383	25,405,605	1.7398	44,200,672
Balance with ABBL, Mumbai Branch	Mumbai	INR	156,022,444	1.4269	222,628,425	176,393,002	1.7398	306,888,546
AB International Finance Ltd.	Hong Kong	USD	11,908,000	68.9200	820,699,359	6,615,000	68.5728	453,609,072
					<b>1,306,774,151</b>			<b>1,142,249,261</b>

## Investment in Shares as at 31 December 2008

Particulars	Number of shares	Market price per share/ Taka	Total market price/ Taka	Total cost/ Taka
<u>Shares (quoted)</u>				
Premier Bank Ltd.	2,000	539.75	1,079,500	1,172,609
Southeast Bank Ltd.	156,780	318.00	49,856,040	61,441,040
Social Investment Bank Ltd.	126,200	214.75	27,101,450	28,882,834
Premier Bank Ltd.	222,750	253.25	56,411,438	62,713,275
United Commercial Bank Ltd.	226,703	3,190.00	723,182,570	487,688,713
Pubali Bank Ltd.	2,450	543.00	1,330,350	1,433,475
International Finance Investment and Commerce Bank Ltd.	135,712	1,188.75	161,327,640	123,351,866
People's Leasing and Financial Services Ltd.	2,597	334.00	867,398	516,953
Islamic Finance & Investment Ltd.	14,000	337.50	4,725,000	4,626,113
Prime Life Insurance Company Ltd.	970	2,014.75	1,954,308	381,137
Green Delta Insurance Company Ltd.	450	1,982.00	891,900	831,360
National Life Insurance Company Ltd.	10,075	3,991.00	40,209,325	47,059,951
Meghna Life Insurance Company Ltd.	8,100	2,032.75	16,465,275	15,761,802
Powergrid Company Ltd.	2,200,550	579.50	1,275,218,725	889,558,736
DESCO	30,750	953.25	29,312,438	27,520,600
Beximco Pharma Ltd.	3,275,000	167.70	549,217,500	366,687,426
Square Pharmaceuticals Ltd.	14,000	3,151.25	44,117,500	44,222,650
ACI Limited	500,000	521.30	260,650,000	268,604,265
Heidelberg Cement Ltd.	55,000	1,214.00	66,770,000	66,209,775
Lafarge Surma Cement Ltd.	1,101,526	513.00	565,082,838	553,990,123
Mehhna Cement Ltd.	27,850	386.00	10,750,100	17,421,423
Apex Adelchi Footwear Ltd.	78,100	2,385.00	186,268,500	273,017,178
Apex Tannery Ltd.	18,100	901.75	16,321,675	19,819,715
Beximco Ltd.	2,719,225	185.40	504,144,315	241,400,781
Usmania Glass Sheet Factory Ltd.	6,700	1,974.50	13,229,150	23,520,129
Miracle Industries Ltd.	73,000	24.80	1,810,400	2,379,850
Titas Gas	126,650	499.25	63,230,013	55,479,375
Summit Alliance Port. Ltd.	54,900	876.25	48,106,125	35,943,713
Shainepukur Ceramic Company Ltd	3,600,000	88.90	320,040,000	198,000,000
JMI Bangla Company Ltd.	9,600	91.25	876,000	960,000
			<b>5,040,547,471</b>	<b>3,920,596,864</b>

Shares (unquoted)

Particulars	Number of shares	Face value/ Taka	Book Value/Cost/Taka
Central Depository Bangladesh Ltd.	10	1,000,000	10,000,000
Everest Power Co. Ltd.	500,000	100	50,000,000
Cash Link Bangladesh Ltd.	8,400,000	10	84,000,000
Industrial and Infrastructure Development Finance Company Ltd.	182,160	100	10,000,000
			<b>154,000,000</b>

## Borrowings from other banks, financial institutions and agents-outside Bangladesh

Name of the bank	Location	Currency	As at 31 December 2008			As at 31 December 2007		
			Amounts in foreign currency	Conversion rate	Equivalent amounts in Taka	Amounts in foreign currency	Conversion rate	Equivalent amounts in Taka
HSBC	UK	UKP	45,518	99.6376	4,535,291	-	-	-
HSBC	UK	USD	4,553	68.9200	313,793	-	-	-
JP Morgan Chase Bank	New York	USD	2,362,337	68.9200	162,812,278	-	-	-
American Express Bank Ltd.	New York	USD	630,233	68.9200	43,435,628	-	-	-
Habib American Bank	New York	USD	-	-	-	472,079	68.5728	32,371,794
HSBC	New York	USD	834,187	68.9200	57,492,167	686,966	68.5728	47,107,203
Commerz Bank AG	Frankfurt	USD	-	-	-	11,442	68.5728	784,583
					<b>268,589,159</b>	<b>80,263,581</b>		

**AB Bank Limited**  
**Schedule of Fixed Assets**  
**As at 31 December 2008**

Particulars	Amount in Taka						Total
	Land and building	Furniture and fixtures	Office appliances	Electrical appliances	Motor vehicles	Leasehold assets	
<b>Cost</b>							
Balance at 01 January 2008	1,920,237,894	159,655,699	40,973,706	497,134,875	162,161,370	61,000,074	2,841,163,618
Addition during the year	14,794,958	37,910,197	3,137,593	101,203,491	68,576,707	-	225,622,946
Transferred from leased asset to motor vehicles	-	-	-	-	38,295,000	(38,295,000)	-
Disposal during the year	34,438,772	21,789,400	1,359,551	23,740,651	7,237,800	14,685,000	103,251,174
At 31 December 2008	1,900,594,080	175,776,496	42,751,748	574,597,715	261,795,277	8,020,074	2,963,535,390
ABBL, Mumbai Branch	-	2,875,703	5,881,267	21,151,062	3,263,159	-	33,171,191
	<b>1,900,594,080</b>	<b>178,652,199</b>	<b>48,633,015</b>	<b>595,748,777</b>	<b>265,058,436</b>	<b>8,020,074</b>	<b>2,996,706,581</b>
<b>Accumulated depreciation</b>							
Balance at 01 January 2008	11,332,458	94,350,872	29,680,322	254,089,389	26,627,602	50,567,709	466,648,352
Charge during the year	5,687,292	8,137,273	2,076,089	66,792,722	41,008,895	6,540,914	130,243,184
Transferred from leased asset to motor vehicles	-	-	-	-	34,968,976	(34,968,976)	-
Adjustments during the year	590,808	14,185,521	1,282,090	21,274,866	7,231,934	14,685,000	59,250,218
At 31 December 2008	16,428,942	88,302,624	30,474,321	299,607,245	95,373,539	7,454,647	537,641,318
ABBL, Mumbai Branch	-	2,341,165	706,163	9,772,744	1,594,957	-	14,415,029
	<b>16,428,942</b>	<b>90,643,789</b>	<b>31,180,484</b>	<b>309,379,989</b>	<b>96,968,496</b>	<b>7,454,647</b>	<b>552,056,347</b>
<b>Net book value</b>							
At 31 December 2008	1,884,165,139	87,473,872	12,277,427	274,990,470	166,421,738	565,427	2,425,894,072
ABBL, Mumbai Branch	-	534,538	5,175,104	11,378,318	1,668,202	-	18,756,162
<b>Total at 31 Dec 2008</b>	<b>1,884,165,139</b>	<b>88,008,410</b>	<b>17,452,531</b>	<b>286,368,788</b>	<b>168,089,940</b>	<b>565,427</b>	<b>2,444,650,234</b>
<b>Total at 31 Dec 2007</b>	<b>1,908,905,436</b>	<b>66,207,458</b>	<b>12,009,481</b>	<b>245,362,551</b>	<b>138,087,118</b>	<b>10,432,365</b>	<b>2,381,004,409</b>

**AB Bank Limited**  
**Schedule of Fixed Assets**  
**As at 31 December 2008**

Particulars	Amount in Taka						Total
	Land and building	Furniture and fixtures	Office appliances	Electrical appliances	Motor vehicles	Leasehold assets	
<b>Cost</b>							
Balance at 01 January 2008	1,920,237,894	159,655,699	40,973,706	497,134,875	162,161,370	61,000,074	2,841,163,618
Addition during the year	14,794,958	37,910,197	3,137,593	101,203,491	68,576,707	-	225,622,946
Transferred from leased asset to motor vehicles	-	-	-	-	38,295,000	(38,295,000)	-
Disposal during the year	34,438,772	21,789,400	1,359,551	23,740,651	7,237,800	14,685,000	103,251,174
At 31 December 2008	1,900,594,080	175,776,496	42,751,748	574,597,715	261,795,277	8,020,074	2,963,535,390
ABBL, Mumbai Branch	-	2,875,703	5,881,267	21,151,062	3,263,159	-	33,171,191
	<b>1,900,594,080</b>	<b>178,652,199</b>	<b>48,633,015</b>	<b>595,748,777</b>	<b>265,058,436</b>	<b>8,020,074</b>	<b>2,996,706,581</b>
<b>Accumulated depreciation</b>							
Balance at 01 January 2008	11,332,458	94,350,872	29,680,322	254,089,389	26,627,602	50,567,709	466,648,352
Charge during the year	5,687,292	8,137,273	2,076,089	66,792,722	41,008,895	6,540,914	130,243,184
Transferred from leased asset to motor vehicles	-	-	-	-	34,968,976	(34,968,976)	-
Adjustments during the year	590,808	14,185,521	1,282,090	21,274,866	7,231,934	14,685,000	59,250,218
At 31 December 2008	16,428,942	88,302,624	30,474,321	299,607,245	95,373,539	7,454,647	537,641,318
ABBL, Mumbai Branch	-	2,341,165	706,163	9,772,744	1,594,957	-	14,415,029
	<b>16,428,942</b>	<b>90,643,789</b>	<b>31,180,484</b>	<b>309,379,989</b>	<b>96,968,496</b>	<b>7,454,647</b>	<b>552,056,347</b>
<b>Net book value</b>							
At 31 December 2008	1,884,165,139	87,473,872	12,277,427	274,990,470	166,421,738	565,427	2,425,894,072
ABBL, Mumbai Branch	-	534,538	5,175,104	11,378,318	1,668,202	-	18,756,162
<b>Total at 31 Dec 2008</b>	<b>1,884,165,139</b>	<b>88,008,410</b>	<b>17,452,531</b>	<b>286,368,788</b>	<b>168,089,940</b>	<b>565,427</b>	<b>2,444,650,234</b>
<b>Total at 31 Dec 2007</b>	<b>1,908,905,436</b>	<b>66,207,458</b>	<b>12,009,481</b>	<b>245,362,551</b>	<b>138,087,118</b>	<b>10,432,365</b>	<b>2,381,004,409</b>

**AB Bank Limited**  
**Islami Banking Branch**  
**Balance Sheet**  
**As at 31 December 2008**

	31.12.2008 Taka	31.12.2007 Taka
<b>PROPERTY AND ASSETS</b>		
<b>Cash</b>	<b>4,043,940</b>	<b>1,711,828</b>
In hand (including foreign currencies)	4,043,940	1,711,828
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	-	-
<b>Balance with other banks and financial institutions</b>	<b>901,243,054</b>	<b>700,112,000</b>
In Bangladesh	901,243,054	700,112,000
Outside Bangladesh	-	-
<b>Money at call and on short notice</b>	<b>-</b>	<b>-</b>
<b>Investments</b>	<b>-</b>	<b>-</b>
Government	-	-
Others	-	-
<b>Loans and advances / investments</b>	<b>1,083,749,668</b>	<b>587,118,694</b>
Murabaha	2,074,736	27,273,919
Bai-muazzal	769,679,060	329,013,270
Hire purchase	310,978,872	228,681,505
Quard against Mudaraba term deposits	1,017,000	2,150,000
<b>Fixed assets including premises, furniture and fixtures</b>	<b>15,359,863</b>	<b>13,537,066</b>
<b>Other assets</b>	<b>2,215,313,400</b>	<b>906,079,869</b>
<b>Non-banking assets</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b><u>4,219,709,923</u></b>	<b><u>2,208,559,457</u></b>
<b>LIABILITIES AND CAPITAL</b>		
<b>Liabilities</b>		
<b>Borrowings from other banks, financial institutions and agents</b>	<b>904,753,879</b>	<b>700,000,000</b>
<b>Deposits and other accounts</b>	<b>3,232,422,977</b>	<b>1,477,901,082</b>
Al-wadia current deposits	14,356,178	16,322,851
Mudaraba savings deposits	370,410,786	295,523,142
Mudaraba short term deposits	7,219,410	1,126,797
Mudaraba term deposits	2,815,698,458	1,154,895,523
Profit payable	-	-
Other deposits	17,723,112	7,079,608
Bills payable	7,015,034	2,953,161
<b>Other liabilities</b>	<b>82,533,067</b>	<b>30,658,374</b>
<b>Surplus in Profit and Loss Account transferred to Head Office</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b><u>4,219,709,923</u></b>	<b><u>2,208,559,457</u></b>
<b>Contingent liabilities</b>		
Acceptances and endorsements	-	-
Letters of guarantee	17,410,438	8,269,800
Irrevocable letters of credit	-	-
Bills for collection	-	-
Other contingent liabilities	-	-
	<b><u>17,410,438</u></b>	<b><u>8,269,800</u></b>
<b>Other commitments</b>		
Documentary credits and short-term, trade-related transactions	-	-
Forward assets purchased and forward deposits placed	-	-
Undrawn note issuance and revolving underwriting facilities	-	-
Undrawn formal standby facilities, credit lines and other commitments	-	-
	<b><u>17,410,438</u></b>	<b><u>8,269,800</u></b>
<b>Total</b>	<b><u>17,410,438</u></b>	<b><u>8,269,800</u></b>
<b>Other memorandum items</b>		
Customers' stocks of securities	-	-
Value of traveller's cheques	-	-
Value of savings certificates (Sanchaya patra)	-	-
	<b><u>-</u></b>	<b><u>-</u></b>

**AB Bank Limited**  
**Islami Banking Branch**  
**Profit and Loss Account**  
**For the year ended 31 December 2008**

	<b>2008</b> <b>Taka</b>	<b>2007</b> <b>Taka</b>
<b>OPERATING INCOME</b>		
Profit received from investment	489,459,742	290,909,954
Profit paid on deposits, etc	(350,620,368)	(211,624,944)
<b>Net profit received</b>	<b>138,839,375</b>	<b>79,285,010</b>
Commission, exchange, etc	8,656,058	4,461,122
Other income	401,400	305,410
	<b>9,057,458</b>	<b>4,766,532</b>
<b>Total operating income (a)</b>	<b>147,896,833</b>	<b>84,051,542</b>
<b>OPERATING EXPENSES</b>		
Salary and allowances	10,468,406	5,657,265
Rent, taxes, insurance, electricity, etc	477,492	436,912
Legal expenses	-	-
Postage, stamps, telecommunication, etc	282,363	190,714
Stationery, printing, advertisement, etc	543,979	157,778
Chief executive's salary and fees	-	-
Directors' fees	133,527	131,142
Auditors' fees	209,000	-
Charges on loan losses	-	-
Depreciation and repairs of Bank's assets	2,164,001	3,933,868
Other expenses	3,552,275	2,060,358
<b>Total operating expenses (b)</b>	<b>17,831,043</b>	<b>12,568,037</b>
<b>Net profit during the year (a-b)</b>	<b>130,065,790</b>	<b>71,483,505</b>

**AB Bank Limited**  
**Mumbai Branch, India**  
**Balance Sheet**  
**As at 31 December 2008**

	<b>31.12.2008</b>
	<b>Taka</b>
<b>PROPERTY AND ASSETS</b>	
<b>Cash</b>	<b>25,986,235</b>
In hand (including foreign currencies)	3,492,450
Balance with Reserve Bank of India and its agent bank(s) (including foreign currencies)	22,493,784
<b>Balance with other banks and financial institutions</b>	<b>286,716,811</b>
In India	64,088,385
Outside India	222,628,426
<b>Money at call and on short notice</b>	<b>71,345,000</b>
<b>Investments</b>	<b>144,755,937</b>
Government	140,332,547
Others	4,423,390
<b>Loans and advances</b>	<b>445,633,621</b>
Loans, cash credits, overdrafts, etc	339,961,218
Bills purchased and discounted	105,672,404
<b>Fixed assets including premises, furniture and fixtures</b>	<b>18,756,161</b>
<b>Other assets</b>	<b>213,913,971</b>
<b>Non-banking assets</b>	-
<b>Total Assets</b>	<b>1,207,107,737</b>
<b>LIABILITIES AND CAPITAL</b>	
<b>Liabilities</b>	
<b>Borrowings from other banks, financial institutions, and agents</b>	-
<b>Deposits and other accounts</b>	<b>355,102,184</b>
Current deposits	252,731,556
Other demand deposits	754,457
Bills payable	161,571
Savings bank deposits	7,251,236
Short-term deposits	-
Fixed deposits	94,203,364
Bearer certificates of deposit	-
Other deposits	-
<b>Other liabilities</b>	<b>135,230,996</b>
<b>Total Liabilities</b>	<b>490,333,180</b>
<b>Capital/ Shareholders' Equity</b>	
Paid-up capital/fund from Head Office	527,699,871
Statutory reserve	94,175,400
Other reserve	7,277,724
Retained earnings	87,621,563
<b>Total Shareholders' Equity</b>	<b>716,774,558</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,207,107,737</b>
<b>Off-Balance Sheet Items:</b>	
<b>Contingent liabilities</b>	<b>618,998,570</b>
Acceptances and endorsements	125,302,694
Letters of guarantee	4,088,069
Irrevocable letters of credit	-
Bills for collection	489,607,807
Other contingent liabilities	-
<b>Other commitments</b>	-
Documentary credits and short term trade-related transactions	-
Forward assets purchased and forward deposits placed	-
Undrawn note issuance and revolving underwriting facilities	-
Undrawn formal standby facilities, credit lines and other commitments	-
<b>Total</b>	<b>618,998,570</b>
<b>Other memorandum items</b>	
Customers' stocks of securities	-
Value of traveller's cheques	28,895
Value of savings certificates (Sanchaya patra)	-
	<b>28,895</b>

Annexure-F

**31.12.2007**  
**Taka**

**22,717,132**  
6,136,998  
16,580,134

**351,089,217**  
44,200,672  
306,888,545

**73,941,500**  
**172,330,602**  
147,103,502  
25,227,100

**535,487,929**  
313,074,609  
222,413,320

**6,489,139**  
**244,605,615**  
-  
**1,406,661,134**

-  
**456,259,820**  
339,516,753  
715,196  
8,650,676  
57,098,677  
-  
50,278,518  
-  
-

**116,492,917**  
**572,752,737**

643,417,363  
105,083,920  
8,873,631  
76,533,483  
**833,908,397**  
**1,406,661,134**

**476,777,463**  
149,340,030  
12,082,911  
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315,354,522  
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**476,777,463**

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35,231  
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**35,231**