

Auditors' Report to the Shareholders of AB Bank Limited

We have audited the accompanying consolidated financial statements of AB Bank Limited (“the Bank”) and its subsidiaries, namely, AB Investment Limited, AB Securities Limited, Cashlink Bangladesh Limited and AB international Finance Limited which comprise Consolidated Balance Sheet at 31 December 2010 and Consolidated Profit and Loss Statement, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and Liquidity Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards, and for such internal control as management considers necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud and error. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements referred to above which have been prepared in the format prescribed by Bangladesh Bank vide circular no. 14 dated 25 June 2003 and in accordance with relevant Bangladesh Financial Reporting Standards and Bangladesh Accounting Standards give a true and fair view of the state of affairs of the Bank as at 31 December 2010 and results of its operations and its cash flows for the year then ended and comply with the Companies Act 1994, the Banking Companies Act 1991, Securities and Exchange Rules 1987, rules and regulations issued by Bangladesh Bank and other applicable laws and regulations.

We also report that :

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof and found them satisfactory;
- (ii) in our opinion, proper books of account as required by law were kept by the Bank so far as it appeared from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us;
- (iii) the Bank's financial position and Profit and Loss Statement dealt with by this report are in agreement with the books of account and returns;
- (iv) the expenditures incurred during the year were for the purposes of the business of the Bank;
- (v) the financial statements have been drawn up in conformity with the Banking Companies Act 1991 and in accordance with the accounting rules and regulations issued by Bangladesh Bank and the financial statements conform to the prescribed standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- (vi) adequate provisions have been made for advances and other assets which are, in our opinion, doubtful of recovery;
- (vii) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (viii) the information and explanations required by us have been received and found to be satisfactory;
- (ix) cash reserve requirement and statutory liquidity reserve with Bangladesh Bank have been maintained as per rule;
- (x) the existing rules and regulations for loan sanctioning and disbursements have been followed properly as it revealed from our test checks;
- (xi) the internal control system was found satisfactory and adequate to prevent probable frauds and forgeries as it appeared from our test checks;
- (xii) adequate capital of Bank as required by law has been maintained during the year under audit;
- (xiii) 80% of risk-weighted assets of the Bank have been audited;
- (xiv) we have spent approximately 3,200 man hours for the audit of books and account of the Bank; and
- (xv) we are not aware of any other matters, which are required to be brought to the notice of the shareholders of the Bank.

- Sd -

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 07 May 2011

S. F. AHMED & CO
Chartered Accountants

AB Bank Limited & Its Subsidiaries
Consolidated Balance Sheet at 31 December 2010

		Amounts in Taka	
		At	At
	Notes	31 Dec 2010	31 Dec 2009
PROPERTY AND ASSETS			
Cash	3(a)	6,615,787,687	5,354,881,576
In hand (including foreign currencies)	3.1(a)	793,965,044	489,993,012
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	3.2(a)	5,821,822,643	4,864,888,564
Balance with other banks and financial institutions	4(a)	4,855,275,265	2,494,371,843
In Bangladesh	4.1(a)	3,883,196,975	1,111,711,079
Outside Bangladesh	4.2(a)	972,078,290	1,382,660,764
Money at call and on short notice	5(a)	380,180,000	600,000,000
Investments	6(a)	15,048,539,567	16,369,303,226
Government	6.1(a)	10,925,594,003	9,675,466,462
Others	6.2(a)	4,122,945,564	6,693,836,764
Loans and advances		96,730,292,593	72,063,263,258
Loans, cash credits, overdrafts, etc	7(a)	92,692,677,369	69,732,552,194
Bills purchased and discounted	8(a)	4,037,615,224	2,330,711,064
Fixed assets including premises, furniture and fixtures	9(a)	4,087,964,621	2,441,036,589
Other assets	10(a)	6,285,838,580	7,770,150,692
Non-banking assets		-	-
Total Assets		134,003,878,314	107,093,007,184
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	11(a)	14,200,436,481	6,136,287,306
Deposits and other accounts	12(a)	94,780,200,605	83,082,628,680
Current deposits		8,486,955,205	6,475,485,033
Demand deposits		3,720,452,767	2,514,211,354
Bills payable		1,340,901,326	1,289,857,131
Savings bank deposits		13,061,751,527	11,900,897,489
Special notice deposits		8,820,711,007	15,782,398,929
Fixed deposits		53,387,157,876	39,696,851,192
Bearer certificates of deposit		130,325,000	130,325,000
Other deposits		5,831,945,896	5,292,602,552
Other liabilities	13(a)	10,872,616,563	7,582,190,591
Non- Controlling Interest	13(b)	3,747,308	-
Total Liabilities		119,857,000,957	96,801,106,577
Capital/Shareholders' Equity			
Total Shareholders' Equity		14,146,877,356	10,291,900,607
Paid-up capital	14	3,205,316,500	2,564,253,200
Statutory reserve	15	4,395,603,869	3,101,206,092
Other reserve	16(a)	1,566,130,459	986,910,947
Retained earnings	17(a)	4,979,826,528	3,639,530,367
Total Liabilities and Shareholders' Equity		134,003,878,314	107,093,007,184

AB Bank Limited & Its Subsidiaries

Consolidated Balance Sheet at 31 December 2010

		Amounts in Taka		
		At	At	
		31 Dec 2010	31 Dec 2009	
Notes				
Off-Balance Sheet Items				
	Contingent liabilities	18	44,484,883,051	28,995,570,517
	Acceptances and endorsements	12,254,568,825	8,378,635,299	
	Letters of guarantee	8,210,194,977	5,592,203,569	
	Irrevocable letters of credit	17,349,666,037	9,796,922,878	
	Bills for collection	6,670,453,212	5,227,808,771	
	Other contingent liabilities	-	-	
Other commitments		-	-	
	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	-	-	
Total Off-Balance Sheet Items		44,484,883,051	28,995,570,517	
Other memorandum items		2,703,462,252	1,956,453,030	
	Value of traveller's cheques	-	32,030	
	Value of savings certificates (sanchaya patra)	2,703,462,252	1,956,421,000	

See annexed notes

for AB Bank Limited

- Sd -	- Sd -	- Sd -	- Sd -
Shishir Ranjan Bose, FCA Director	B.B. Saha Roy Director	Kaiser A. Chowdhury Managing Director	M. Wahidul Haque Chairman

Signed in terms of our report of even date annexed

' - Sd -

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 07 May 2011

S. F. AHMED & CO
Chartered Accountants

AB Bank Limited & Its Subsidiaries
Consolidated Profit and Loss Statement for the year ended 31 December 2010

		Amounts in Taka	
		Year ended 31 Dec 2010	Year ended 31 Dec 2009
	<u>Notes</u>		
OPERATING INCOME			
Interest income	20(a)	10,716,860,160	9,111,374,896
Interest paid on deposits and borrowings, etc	21(a)	(6,631,922,938)	(6,147,007,706)
Net interest income		4,084,937,223	2,964,367,190
Investment income	22(a)	4,705,923,356	2,923,537,226
Commission, exchange and brokerage	23(a)	2,879,505,698	2,282,732,478
Other operating income	24(a)	334,310,001	203,640,150
		7,919,739,055	5,409,909,854
Total operating income (A)		12,004,676,277	8,374,277,044
OPERATING EXPENSES			
Salary and allowances	25(a)	1,854,078,494	1,218,368,067
Rent, taxes, insurance, electricity, etc	26(a)	295,043,296	240,745,273
Legal expenses	27(a)	14,105,546	4,049,492
Postage, stamps, telecommunication, etc	28(a)	110,220,864	90,017,259
Stationery, printing, advertisement, etc	29(a)	142,924,185	120,877,253
Chief executive's salary and fees		9,757,721	8,484,960
Directors' fees	30(a)	2,332,085	2,374,492
Auditors' fees	31(a)	2,275,617	2,396,812
Charges on loan losses		-	-
Depreciation and repairs of Bank's assets	32(a)	290,722,869	203,429,371
Other expenses	33(a)	1,050,403,723	613,908,448
Total operating expenses (B)		3,771,864,400	2,504,651,427
Profit before provision (C = A-B)		8,232,811,877	5,869,625,617
Provision against loans and advances	34(a)	775,278,129	436,600,000
Provision for diminution in value of investments	35(a)	148,417,573	-
Other provisions	36(a)	200,000,000	162,419,861
Total provision (D)		1,123,695,702	599,019,861
Profit before taxation (C-D)		7,109,116,175	5,270,605,756
Provision for taxation		3,119,596,201	1,853,420,642
Current tax		3,160,889,325	1,725,296,976
Deferred tax		(41,293,124)	128,123,666
Net profit after taxation		3,989,519,974	3,417,185,114
Appropriations			
Statutory reserve	37	1,264,995,146	1,031,118,234
General reserve		-	-
Dividends, etc		-	-
		1,264,995,146	1,031,118,234
Retained surplus		2,724,524,828	2,386,066,880
Non- Controlling Interest		(29,202,420)	-
Net Profit attributable to the shareholders of Parent Company		2,753,727,248	2,386,066,880
Consolidated Earnings Per Share (EPS)	38(a)	124.47	106.61
See annexed notes			

for AB Bank Limited

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 Shishir Ranjan Bose, FCA
Director

 B.B. Saha Roy
Director

 Kaiser A. Chowdhury
Managing Director

 M. Wahidul Haque
Chairman

Signed in terms of our report of even date annexed

 House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 07 May 2011

 ' - Sd -
S. F. AHMED & CO
Chartered Accountants

AB Bank Limited & Its Subsidiaries
Consolidated Cash Flow Statement for the year ended 31 December 2010

See annexed notes

for AB Bank Limited

- Sd - - Sd - - Sd - - Sd -

Shishir Ranjan Bose, FCA Director	B.B. Saha Roy Director	Kaiser A. Chowdhury Managing Director	M. Wahidul Haque Chairman
Signed in terms of our report of even date annexed			
House 25, Road 13A, Block D Banani, Dhaka 1213, Bangladesh			- Sd - S. F. AHMED & CO
Dated, 07 May 2011			Chartered Accountants

AB Bank Limited & Its Subsidiaries

Consolidated Statement of Changes in Equity for the year ended 31 December 2010

Amounts in Taka

Particulars	Paid-up capital	Statutory reserve	General reserve	Assets revaluation reserve	Foreign exchange revaluation reserve on investment in foreign operation	Investment revaluation reserve	Retained earnings	Total
Balance at 01 January 2010	2,564,253,200	3,101,206,092	78,898,756	568,125,753	-	268,769,552	3,639,530,366	10,220,783,719
Effects of changes in accounting policy	-	-	-	-	71,116,886	-	-	71,116,886
Bonus for 2009:								
20% cash dividend	-	-	-	-	-	-	(512,850,640)	(512,850,640)
25% stock dividend	641,063,300	-	-	-	-	-	(641,063,300)	-
Mumbai Branch	-	-	-	-	-	-	-	-
AB International Finance Limited (dividend)	-	-	-	-	-	-	(70,471,786)	(70,471,786)
Restated Balance	3,205,316,500	3,101,206,092	78,898,756	568,125,753	71,116,886	268,769,552	2,415,144,640	9,708,578,179
Net profit after taxation for the year	-	-	-	-	-	-	2,724,524,828	2,724,524,828
Addition/(Adjustment) made during the year	-	1,242,807,256	-	769,940,070	-	(254,936,044)	-	1,757,811,282
Addition/Adjustment for Mumbai Branch	-	43,757,216	-	-	-	-	(53,248,526)	(9,491,310)
CBL retained earnings	-	-	-	-	-	-	(156,682,609)	(156,682,609)
Adjustment for ABIFL	-	-	-	-	-	-	(26,431,783)	(26,431,783)
Special reserve for ABIFL	-	-	32,040,920	-	-	-	(18,489,222)	13,551,698
Foreign exchange fluctuation	-	7,833,306	-	-	32,174,567	-	3,133,736	43,141,608
Non controlling interest	-	-	-	-	-	-	91,875,464	91,875,464
Balance at 31 December 2010	3,205,316,500	4,395,603,869	110,939,676	1,338,065,823	103,291,453	13,833,508	4,979,826,528	14,146,877,357
Balance at 31 December 2009	2,564,253,200	3,101,206,092	78,898,756	568,125,753	71,116,886	268,769,552	3,639,530,366	10,291,900,607

for AB Bank Limited

- Sd -

Shishir Ranjan Bose, FCA
Director

- Sd -

B.B. Saha Roy
Director

- Sd -

Kaiser A. Chowdhury
Managing Director

- Sd -

M. Wahidul Haque
Chairman

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 07 May 2011

- Sd -
S. F. AHMED & CO
Chartered Accountants

AB Bank Limited
Balance Sheet at 31 December 2010

		Amounts in Taka	
		At	At
		31 Dec 2010	31 Dec 2009
PROPERTY AND ASSETS			
Cash	3	6,615,119,969	5,354,881,576
In hand (including foreign currencies)	3.1	793,297,326	489,993,012
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	3.2	5,821,822,643	4,864,888,564
Balance with other banks and financial institutions	4	6,299,137,869	3,494,118,146
In Bangladesh	4.1	3,883,196,975	1,111,711,079
Outside Bangladesh	4.2	2,415,940,894	2,382,407,068
Money at call and on short notice	5	380,180,000	600,000,000
Investments	6	14,562,671,613	16,369,303,226
Government	6.1	10,925,594,003	9,675,466,462
Others	6.2	3,637,077,610	6,693,836,764
Loans and advances		88,298,823,481	70,879,933,446
Loans, cash credits, overdrafts, etc	7	85,894,851,126	69,732,552,194
Bills purchased and discounted	8	2,403,972,354	1,147,381,251
Fixed assets including premises, furniture and fixtures	9	3,926,340,669	2,440,962,657
Other assets	10	12,905,984,992	7,773,113,332
Non-banking assets		-	-
Total Assets		132,988,258,593	106,912,312,384
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	11	14,200,436,481	6,125,161,339
Deposits and other accounts	12	95,701,894,525	83,087,129,113
Current deposits		8,486,955,205	6,479,985,466
Demand deposits		3,829,191,829	2,514,211,354
Bills payable		1,340,901,326	1,289,857,131
Savings bank deposits		13,061,751,527	11,900,897,489
Special notice deposits		9,390,226,037	15,782,398,929
Fixed deposits		53,630,597,705	39,696,851,192
Bearer certificates of deposit		130,325,000	130,325,000
Other deposits		5,831,945,896	5,292,602,552
Other liabilities	13	9,219,419,370	7,542,382,113
Total Liabilities		119,121,750,377	96,754,672,565
Capital/Shareholders' Equity			
Total Shareholders' Equity		13,866,508,216	10,157,639,819
Paid-up capital	14	3,205,316,500	2,564,253,200
Statutory reserve	15	4,395,603,869	3,101,206,092
Other reserve	16	1,497,389,984	950,211,391
Retained earnings	17	4,768,197,863	3,541,969,135
Total Liabilities and Shareholders' Equity		132,988,258,593	106,912,312,384

AB Bank Limited
Balance Sheet at 31 December 2010

		Amounts in Taka	
		At	At
		31 Dec 2010	31 Dec 2009
Off-Balance Sheet Items	Notes		
Contingent liabilities	18	44,484,883,051	28,995,570,517
Acceptances and endorsements		12,254,568,825	8,378,635,299
Letters of guarantee	18.1	8,210,194,977	5,592,203,569
Irrevocable letters of credit		17,349,666,037	9,796,922,878
Bills for collection		6,670,453,212	5,227,808,771
Other contingent liabilities		-	-
Other commitments		-	-
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		-	-
Total Off-Balance Sheet Items		44,484,883,051	28,995,570,517
Other memorandum items		2,703,462,252	1,956,453,030
Value of traveller's cheques		-	32,030
Value of savings certificates (sanchaya patra)		2,703,462,252	1,956,421,000

See annexed notes

for AB Bank Limited

- Sd -	- Sd -	- Sd -	- Sd -
Shishir Ranjan Bose, FCA Director	B.B. Saha Roy Director	Kaiser A. Chowdhury Managing Director	M. Wahidul Haque Chairman

Signed in terms of our report of even date annexed

- Sd -

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 07 May 2011

S. F. AHMED & CO
Chartered Accountants

AB Bank Limited
Profit and Loss Statement for the year ended 31 December 2010

		Amounts in Taka	
		At	At
		31 Dec 2010	31 Dec 2009
	<u>Notes</u>		
OPERATING INCOME			
Interest income	20	9,840,277,194	9,047,169,208
Interest paid on deposits and borrowings, etc	21	(6,358,862,124)	(6,139,114,500)
Net interest income		3,481,415,070	2,908,054,708
Investment income	22	5,059,923,750	2,923,537,225
Commission, exchange and brokerage	23	2,117,794,565	2,266,125,144
Other operating income	24	238,780,449	170,873,499
		7,416,498,764	5,360,535,868
Total operating income (A)		10,897,913,834	8,268,590,576
OPERATING EXPENSES			
Salary and allowances	25	1,802,923,573	1,199,231,589
Rent, taxes, insurance, electricity, etc	26	270,663,877	229,913,458
Legal expenses	27	12,922,182	3,960,205
Postage, stamps, telecommunication, etc	28	101,739,532	84,377,528
Stationery, printing, advertisement, etc	29	139,248,504	120,563,379
Chief executive's salary and fees		9,757,721	8,484,960
Directors' fees	30	2,056,085	2,374,492
Auditors' fees	31	1,698,872	2,209,962
Charges on loan losses		-	-
Depreciation and repairs of Bank's assets	32	238,935,099	202,771,853
Other expenses	33	908,655,601	612,306,895
Total operating expenses (B)		3,488,601,046	2,466,194,321
Profit before provision (C = A-B)		7,409,312,788	5,802,396,256
Provision against loans and advances	34	709,237,082	436,600,000
Provision for diminution in value of investments	35	142,674,519	-
Other provisions	36	200,000,000	160,900,000
Total provision (D)		1,051,911,601	597,500,000
Profit before taxation (C-D)		6,357,401,187	5,204,896,256
Provision for taxation		2,661,384,083	1,842,340,256
Current tax		2,702,677,207	1,714,216,590
Deferred tax		(41,293,124)	128,123,666
Net profit after taxation		3,696,017,104	3,362,556,000
Appropriations			
Statutory reserve	37	1,264,995,146	1,031,118,234
General reserve		-	-
Dividends, etc		-	-
		1,264,995,146	1,031,118,234
Retained surplus		2,431,021,958	2,331,437,766
Earnings Per Share (EPS)	38	115.31	104.91
See annexed notes			

for AB Bank Limited

- Sd -

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Shishir Ranjan Bose, FCA
Director

B.B. Saha Roy
Director

Kaiser A. Chowdhury
Managing Director

M. Wahidul Haque
Chairman

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 07 May 2011

- Sd -
S. F. AHMED & CO
Chartered Accountants

AB Bank Limited
Cash Flow Statement for the year ended 31 December 2010

		Amounts in Taka	
		Year ended 31 Dec 2010	Year ended 31 Dec 2009
Cash Flows from Operating Activities (A)			
Interest receipts		9,840,277,194	9,047,169,208
Interest payments		(6,358,862,124)	(6,139,114,501)
Dividend receipts		105,934,519	122,671,920
Fee and commission receipts		1,483,336,968	1,781,781,511
Recoveries on loans previously written off		57,140,445	43,203,720
Payments to employees		(1,762,681,294)	(1,207,716,549)
Payments to suppliers		(140,947,376)	(122,773,341)
Income taxes paid		(1,878,055,366)	(1,330,452,291)
Receipts from other operating activities	39	5,269,552,617	3,412,878,717
Payments for other operating activities	40	(1,278,507,363)	(976,813,347)
Operating profit before changes in operating assets & liabilities		5,337,188,220	4,630,835,047
Increase/decrease in operating assets and liabilities			
Loans and advances to customers		(17,418,890,035)	(14,171,161,540)
Other assets	41	(173,314,844)	(1,467,798,151)
Deposits from other banks		1,384,123,000	(5,061,482,546)
Deposits from customers		11,230,642,412	19,588,137,336
Trading liabilities (short-term borrowings)		5,743,793,873	2,905,485,698
Other liabilities	42	372,975,544	810,521,605
		1,139,329,950	2,603,702,401
Net cash flow from operating activities		6,476,518,170	7,234,537,449
Cash Flows from Investing Activities (B)			
(Purchase)/ sale of government securities		(1,250,291,041)	(2,517,553,101)
(Purchase)/ sale of trading securities, shares, bonds, etc		(2,284,218,074)	(2,457,083,963)
(Purchase)/ sale of property, plant and equipment		(911,902,954)	(90,771,297)
Net cash used in investing activities		(4,446,412,069)	(5,065,408,361)
Cash Flows from Financing Activities (C)			
Increase/(decrease) in long-term borrowings		2,305,473,309	26,332,604
Dividend paid		(490,304,794)	(334,467,810)
Net cash from/(used in) financing activities		1,815,168,515	(308,135,206)
Net increase in cash (A+B+C)		3,845,274,616	1,860,993,882
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the year		9,451,710,422	7,590,716,540
Cash and cash equivalents at end of the year (*)		13,296,985,038	9,451,710,422
(*) Cash and cash equivalents:			
Cash		793,297,326	489,993,012
Prize bonds		2,547,200	2,710,700
Money at call and on short notice		380,180,000	600,000,000
Balance with Bangladesh Bank and its agent bank(s)		5,821,822,643	4,864,888,564
Balance with other banks and financial institutions		6,299,137,869	3,494,118,146
		13,296,985,038	9,451,710,422
Net operating cash flow per share		202.06	225.70

See annexed notes

for AB Bank Limited

- Sd -	- Sd -	- Sd -	- Sd -
Shishir Ranjan Bose, FCA Director	B.B. Saha Roy Director	Kaiser A. Chowdhury Managing Director	M. Wahidul Haque Chairman

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 07 May 2011

- Sd -
S. F. AHMED & CO
Chartered Accountants

AB Bank Limited
Statement of Changes in Equity for the year ended 31 December 2010

Amounts in Taka								
Particulars	Paid-up capital	Statutory reserve	General reserve	Assets revaluation reserve	Foreign exchange revaluation reserve on investment in foreign operation	Investment revaluation reserve	Retained earnings	Total
Balance at 01 January 2010	2,564,253,200	3,101,206,092	42,199,200	568,125,753	-	268,769,552	3,541,969,135	10,086,522,932
Effects of changes in accounting policy	-	-	-	-	71,116,886	-	-	71,116,886
Bonus for 2009:								
20% cash dividend	-	-	-	-	-	-	(512,850,640)	(512,850,640)
25% stock dividend	641,063,300	-	-	-	-	-	(641,063,300)	-
Restated balance	3,205,316,500	3,101,206,092	42,199,200	568,125,753	71,116,886	268,769,552	2,388,055,195	9,644,789,178
Net profit after taxation for the year	-	-	-	-	-	-	2,431,021,958	2,431,021,958
Addition/Adjustment made during the year	-	1,242,807,254	-	769,940,070	-	(254,936,044)	-	1,757,811,280
Addition/(Adjustment) against Mumbai Branch	-	43,757,216	-	-	-	-	(53,248,526)	(9,491,310)
Foreign exchange fluctuation	-	7,833,306	-	-	32,174,567	-	2,369,235	42,377,109
Balance at 31 December 2010	3,205,316,500	4,395,603,868	42,199,200	1,338,065,823	103,291,453	13,833,508	4,768,197,863	13,866,508,215
Balance at 31 December 2009	2,564,253,200	3,101,206,092	42,199,200	568,125,753	71,116,886	268,769,552	3,541,969,135	10,157,639,819

for AB Bank Limited

- Sd -	- Sd -	- Sd -	- Sd -
Shishir Ranjan Bose, FCA Director	B.B. Saha Roy Director	Kaiser A. Chowdhury Managing Director	M. Wahidul Haque Chairman
			Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 07 May 2011

- Sd -
S. F. AHMED & CO
Chartered Accountants

AB Bank Limited
Liquidity Statement (Analysis of Maturity of Assets and Liabilities) at 31 December 2010

Particulars	Maturity					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	
Assets						
Cash in hand and with banks	1,516,219,969	-	-	-	5,098,900,000	6,615,119,969
Balance with other banks and financial institutions	1,787,337,870	2,011,800,000	2,500,000,000	-	-	6,299,137,870
Money at call and on short notice	300,180,000	-	80,000,000	-	-	380,180,000
Investments	1,631,471,569	963,482,654	2,838,737,985	2,332,097,889	6,796,881,517	14,562,671,613
Loans and advances	13,965,983,362	18,861,750,873	26,448,585,826	27,170,000,000	1,852,503,419	88,298,823,480
Fixed assets including premises, furniture and fixtures	-	-	-	-	3,926,340,669	3,926,340,669
Other assets	1,667,327,784	653,532,883	3,736,724,840	420,000,000	6,428,399,486	12,905,984,992
Non-banking assets	-	-	-	-	-	-
Total Assets (A)	20,868,520,553	22,490,566,409	35,604,048,651	29,922,097,889	24,103,025,090	132,988,258,593
Liabilities						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	10,223,897,014	1,280,645,766	2,695,893,701	-	-	14,200,436,482
Deposits and other accounts	17,340,632,763	28,350,230,209	24,250,811,053	25,751,701,671	8,518,829	95,701,894,526
Provision and other liabilities	579,094,389	117,233,848	3,357,028,892	2,205,962,242	2,960,100,000	9,219,419,370
Total Liabilities (B)	28,143,624,167	29,748,109,824	30,303,733,646	27,957,663,912	2,968,618,829	119,121,750,378
Net Liquidity Excess/(Shortage) (A-B)	(7,275,103,614)	(7,257,543,415)	5,300,315,005	1,964,433,977	21,134,406,261	13,866,508,215

for AB Bank Limited

- Sd -	- Sd -	- Sd -	- Sd -
Shishir Ranjan Bose, FCA Director	B.B. Saha Roy Director	Kaiser A. Chowdhury Managing Director	M. Wahidul Haque Chairman

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 07 May 2011

S. F. AHMED & CO
Chartered Accountants

AB Bank Limited

Notes to financial statements for the year ended 31 December 2010

General

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 is 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 Ltd and Chittagong Stock Exchange Ltd respectively. AB Bank Limited has 82 Branches including one (1) Islami Banking Branch, one (1) Overseas Branch in Mumbai, India. The Bank has four subsidiary companies, AB Investment Limited, AB Securities Limited, Cashlink Bangladesh Limited, incorporated in Bangladesh and AB International Finance Limited, incorporated in Hong Kong.

AB Investment Limited (ABIL) and AB Securities Limited (ABSL) are recently incorporated as subsidiary companies following the approval of Bangladesh Bank following instructions from Securities and Exchange Commission. These two subsidiaries are being put into operations to cater the merchant banking and brokerage business which were previously done by the Bank itself.

The Bank through its Branches and non-banking subsidiaries provides a diverse range of financial services and products in Bangladesh and in certain international markets. The Bank has expanded its capital market oriented service horizon to its customers through AB Investment Limited. The Bank obtained permission to embark upon Merchant Banking from the Securities and Exchange Commission (SEC) vide its certificate no. MB-1.02/2001-30 dated 15 May 2001 under the Securities and Exchange Commission Act 1993. Subsequently, the Bank has formed a subsidiary company named AB Investment Company Limited in accordance with approval of Bangladesh Bank vide its letter # BRPD(R-1)717/2009-538 dated 09 December, 2009 and Securities and Exchange Commission vide its letter # Sec/Reg/MB-79/2010/73 dated 10 March 2010 for dealing the Merchant Banking business.

Brokerage business of Arab Bangladesh Bank Foundation has been transferred on 01 August 2010 to the newly form AB Securities Limited (ABSL) vide Bangladesh Bank approval letter BRPD(R-1)717/2009-493 dated 08 November 2009.

AB Bank Limited started its Islami Banking operation through its Dilkusha Islami Banking Branch, Dhaka on 23 December 2004 following the permission of Bangladesh Bank vide letter no. BRPD (P) 745 (12)/2004-2702 dated 08 July 2004. Subsequently the Branch has been shifted to Kakrail, Dhaka on 18 October 2006.

The Bank obtained permission as a security custodian from the 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.

In the year 2009, the Bank obtained permission to operate Off Shore Banking Unit (OBU) vide letter # BRPD (P-3)744/(106)/2009-4486 dated 06 December 2009 of Bangladesh Bank. OBU operation has been carried out from 28 April 2010 through the Bank's EPZ Branch, Chittagong.

The Bank has a dedicated philanthropic unit named Arab Bangladesh Bank Foundation (ABBF) which is operating since 2002. Foundation has obtained Brokerage Licenses from SEC on 15 August 2006 and 23 October 2006 for Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) respectively and started its operation from 28 August 2006 and 05 December 2006 on DSE and CSE respectively. However, in view of the recent decision of Bangladesh Bank and upon due agreement to that effect subsequently by the Board of Directors of ABBL and ABBF respectively, launching of a new subsidiary company AB Securities limited for the operation of brokerage business, the business of ABBF has now being conducted by AB Securities limited. Bangladesh Bank has given approval for the mentioned new subsidiary.

AB Bank Limited

Notes to financial statements for the year ended 31 December 2010

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

Presentation of the financial statements

Consolidated financial statements and separate financial statements of the Bank comprise of Balance Sheet, Profit and Loss Statement, Cash Flow Statements, Statement of Changes in Equity, Liquidity Statement and relevant notes and disclosures.

Consolidated financial statements and financial statements of the Bank were made as at 31 December 2010 and were prepared under the historical cost convention except investments categorised under held for trading and in accordance with Banking Companies Act 1991, BRPD circular no. 14 dated 25 June 2003, the Companies Act 1994, the Securities and Exchange Ordinance 1969, Securities and Exchange Rules 1987 and other laws and rules applicable for the Bank.

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

Basis of consolidation

Separate set of records for consolidating the financial statements of the Branches including Mumbai Branch, India, AB Investment Limited, AB Securities Limited, Cashlink Bangladesh Limited and AB International Finance Limited, Hong Kong are maintained at the Head Office of the Bank, based on which these financial statements have been prepared. The consolidated financial statements have been prepared in accordance with the BAS 27 "Consolidated and Separate Financial Statements". The Consolidated Financial Statements have been prepared to a common reporting period ending on 31 December 2010.

Mumbai Branch, India

The assets and liabilities of Mumbai Branch, India have been incorporated in the accounts at year end exchange rate. Income and expenditures have been incorporated in the accounts by each line item. The Balance Sheet and Profit and Loss Statement of the Mumbai Branch has been shown separately in Annex F.

Islami Banking Branch

Islami Banking Branch has been maintaining separate set of books and records for its operations following Bangladesh Bank guidelines. All assets-liabilities and income-expenses of this Branch have been incorporated in similar heads of account of the Bank's financial statements. Detail financial statements of Islami Banking Branch is shown separately in Annex G as per Bangladesh Bank BRPD Circular No. 15 dated 09 November 2009. Distribution of profit under Islamic Banking Operation and fixation of final rate for the year 2010 has also been disclose in separately in Annex H.

Custodian Wing

Financial statements of Custodian Wing have been separately audited by an independent auditors Ms. S.F. Ahmed & Co, Chartered Accountants. Income-expenditures of Custodian Wing have been incorporated in similar heads of account of the Bank's Profit and Loss Statement. Profit and Loss Statements of Custodial Wing has been shown separately in Annex I.

Off-Shore Banking Unit (OBU)

This particular unit of the Bank became fully operation in year 2010. Balance Sheet and income-expenditures of Off- Shore Banking Unit are incorporated in similar heads of account of the Bank's Balance Sheet and Profit and Loss Statement. The Balance Sheet and Profit and Loss Statement of the Off- Shore Unit has been shown separately in Annex J.

Subsidiaries Operation

The financial statements of subsidiaries have been consolidated following BAS 27 "Consolidated and Separate Financial Statements".

AB Bank Limited

Notes to financial statements for the year ended 31 December 2010

AB Investment Limited (ABIL)

AB Investment Limited (ABIL) which has been incorporated as a separate company, started its operation from 10 March 2010 as an independent subsidiary.

The Balance Sheet and Profit and Loss Statement of the ABIL has been shown separately in Annex K.

AB Securities Limited (ABSL)

Brokerage business of Arab Bangladesh Bank Foundation has been transferred to the newly formed AB Securities Limited (ABSL) vide Bangladesh Bank approval letter BRPD(R-1)717/2009-493 dated 08 November 2009.

The Balance Sheet and Profit and Loss Statement of the ABSL has been shown separately in Annex L.

Cashlink Bangladesh Limited (CBL)

Cashlink Bangladesh Limited (CBL) was incorporated on 24 September 2008 with an Authorised Capital of Taka 1,000,000,000 divided into 100,000,000 ordinary shares of Taka. 10 each. AB Bank Limited at present holds 60% shares in CBL.

The Balance Sheet and Profit and Loss Statement of the CBL has been shown separately in Annex M.

AB International Finance Limited (ABIFL)

AB International Finance Limited (ABIFL) is a company incorporated in Hong Kong. Its registered office and principal place of business are situated at Unit 1201-B, 12/F, Admiralty Centre, Tower One, 18 Harcourt, Hong Kong.

The Balance Sheet and Profit and Loss Statement of the ABIFL has been shown separately in Annex N.

All intergroup balances, transaction, income and expenses are eliminated in full for preparing consolidated financial statements.

Arab Bangladesh Bank Foundation (ABBF)

Arab Bangladesh Bank Foundation (ABBF) has maintained separate set of books and records for its operation. Financial Statements of ABBF are not incorporated with the Bank's consolidated financial statements and separate financial statements due to undergoing legal settlement process.

The Balance Sheet and Profit and Loss Statement of the ABBF has been shown separately in Annex - O.

Use of estimates and judgments

The preparation of consolidated financial statements and financial statements of the Bank required management to make judgments, estimates and assumptions that affected 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 assumptions have been reviewed considering business realities. Revisions of accounting estimates have been recognised in the period in which the estimate has been revised and in the future periods affected, if applicable.

AB Bank Limited

Notes to financial statements for the year ended 31 December 2010

Materiality, aggregation and offsetting

Bank presents each material class of similar items. Bank presents separately items of a dissimilar nature or function unless those are immaterial. Bank did not offset assets and liabilities or income and expense, unless required or permitted by BAS/ BFRS.

Foreign currency transactions

Functional and presentational currency

Financial statements of the Bank have been presented in Taka, which is the Bank's functional and presentational currency.

Foreign currency translation

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

Assets and liabilities in foreign currencies as at 31 December 2010 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.

Commitment

Commitments for outstanding forward foreign exchange contracts disclosed in the consolidated financial statements and financial statements of Bank have been translated at contracted rates. Contingent liabilities/commitments for letter of credit, letter of guarantee and acceptance denominated in foreign currencies have been expressed in Taka terms at the rates of exchange ruling on the balance sheet date.

Translation gain and losses

Gains or losses arising out of translation of foreign exchange have been included in the Profit and Loss Accounts, except those arising on the translation of net investment in foreign branch and subsidiary.

Foreign operations

The results of consolidated financial statements of Bank and its subsidiaries' whose functional currency is not Bangladesh Taka are translated into Bangladesh Taka as follows:

- a. assets and liabilities of Balance Sheet have been translated at the closing rate on the date of Balance
- b. income and expenses of Profit and Loss Statement have been translated at an average rate approximating the exchange rates at the year end.
- c. all resulting exchange differences have been recognized as a separate components of equity.

Cash Flow Statement

Cash Flow Statement is prepared principally in accordance with BAS 7 "Cash Flow Statement" under direct method as per the guidelines of BRPD circular no.14 dated 25 June 2003. The Cash Flow Statement shows the structure of and changes in cash and cash equivalents during the financial year. It reported cash flows during the period classified by operating activities, investing activities and financing activities.

Statement of Changes in Equity

Statement of Changes in Equity has been prepared in accordance with BAS 1 "Presentation of Financial Statements" and following the guidelines of Bangladesh Bank BRPD circular no.14 dated 25th June 2003.

AB Bank Limited**Notes to financial statements for the year ended 31 December 2010****Liquidity statement**

The basis of the liquidity statement of assets and liabilities as on the reporting date is given below:

Particulars	Basis used
Balance with other banks and financial institutions	Maturity term
Investments	Respective maturity terms
Loans and advances	Repayment schedule basis
Fixed assets	Useful life
Other assets	Realization/ amortization basis
Borrowing from other banks, financial institutions and agents	Maturity/ repayments terms
Deposits and others accounts	Maturity term
Other liabilities	Payments/ adjustments schedule basis

1.3 Assets and basis of their valuation**Cash and cash equivalents**

Cash comprise cash in hand and demand deposits.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Loans and advances

- i. Loans and advances/ investments in Islamic Banking Branch are stated at gross amounts at 31 December 2010.
- ii Interest/ profit is calculated on a daily product basis but changed and accounted for an accrual basis. Interest/ profit on SMA and classified loans and advances/ investment is kept in suspense account as per Bangladesh Bank instructions and such interest/ profit is not accounted for as income until realized from borrowers. Interest/ profit are not charged on bad and loss loans/ investments as per guideline of Bangladesh Bank.
- iii Commission and discounts on bills purchased and discounted are recognised at the time of realisation.
- iv. Provision for loans and advances is made on the basis of quarter-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, 05 of April 2008 and 32 dated 27 October 2010. The rates for provisions are stated below:

Types of loans and advances		Provision				
		UC	SMA	SS	DF	BL
Consumer	House building and professional	2%	5%	20%	50%	100%
	Other than Housing Finance & Professionals to setup business	5%	5%	20%	50%	100%
Provision for loan against shares		2%	5%	20%	50%	100%
Short-term agri-credit and micro credit		5%	5%	5%	5%	100%
Small & Medium Enterprise Finance		1%	5%	20%	50%	100%
Others		1%	5%	20%	50%	100%

AB Bank Limited

Notes to financial statements for the year ended 31 December 2010

Investment

Investments have been initially recognised at cost, including acquisition charges associated with the investment. Premiums have been amortised and discount accredited, using the effective or historical yield method. Government Treasury Bills and Bonds (categorized as HFT or/and HTM) are accounted for as per Bangladesh Bank DOS circular letter no. 05 dated 26 May 2008 and DOS circular no. 05 dated 28 January 2009.

The valuation methods of investment used are:

Government securities

Held to maturity (HTM)

Investments which are intended to be held to maturity are classified as "Held to Maturity". These are measured at amortised cost at each year end by taking into account any discount or premium in acquisition. Amortised amount of such premium or discount is booked to reserve until maturity/disposal.

Held for trading (HFT)

Investment primarily held for selling or trading is classified in this category. After initial recognition, investments are marked to market weekly. Decrease in the present value is recognised in the Profit and Loss Statement and any increase is transferred to revaluation reserve account.

Value of investments has been enumerated as follows:

Investment class	Initial recognition	Measurement after initial recognition	Recording of changes
Treasury Bill / Bond (HFT)	Cost	Market value	Loss to profit and loss statement (P&L), gain to revaluation reserve
Treasury Bill / Bond (HTM)	Cost	Amortised value	Increase in value to equity and decrease in value to P&L
Debenture	Face value	None	None
Prize bond	Cost	None	None
Shares	Cost	Lower of cost or market value	Any loss, charged in P&L Unrealized gain, not record in accounts

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. Unrealised gains are not recognised in the Profit and Loss Statement as per BAS 18 "Revenue".

Investment in unlisted securities

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

Investments in subsidiary

Investment in subsidiary is accounted for under the cost method of accounting in the Bank's financial statements in accordance with the BAS 27 "Consolidated and Separate Financial Statements" and BFRS 3 "Business Combination".

Property, plant and equipment

- All fixed assets are stated at cost less accumulated depreciation as per BAS 16 "Property, Plant and Equipment". The cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of the BFRS.

AB Bank Limited

Notes to financial statements for the year ended 31 December 2010

- ii. The cost of an item of property, plant and equipment is recognised as an asset if-
it is probable that future economic benefits associated with the item will flow to the entity; and
the cost of the item can be measured reliably.
- 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:

<u>Category of asset</u>	<u>Rate of Depreciation</u>
Land	Nil
Building	2.5%
Furniture and fixtures	10%
Electrical appliances	20%
Motor vehicles	20%
Leasehold assets - vehicles	20%

- iv. Depreciation on fixed assts acquired during the year is charged from the month of their acquisition. Full month's depreciation is charged in the month of addition irrespective of the date of acquisition and no depreciation is charged in the month of their disposal.
- v. The cost and accumulated depreciation of disposed assets are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the profit and loss statement.
- vi. Useful lives and method of depreciation of fixed assets are reviewed periodically. If useful lives of assets do not differ significantly as these were previously estimated, revaluation of assets does not consider to be done.
- vii. Bank capitalised items value of which is over Taka 50,000 and the items below Taka 50,000 were booked as non-capitalised items under the broader head of other expenses with effect from 01 March 2009 in accordance with the relevant policy of the Bank.
- viii. Bank also follows a policy for amortisation of expenditure considering the durability and useful lives of items. These are treated as deferred revenue expenditure and are booked under the head "Other Assets – Deferred Revenue Expenditures" and amortised over their estimated useful lives by charging under the broad head "Other Expenditure".
- ix. During the year 2010, fixed assets namely, lands and buildings, were revalued by an independent Valuer resulting a revaluation surplus of Taka 769,940,070 . This was approved by the Board of Directors of the Bank in its 468th meeting held on 28 November 2010. Necessary declaration (price sensitive) in this respect has been made.

Intangible Assets

An intangible asset is recognised if-

- a. It is probable that the expected future economic benefits that are attributable to the assets will flow to the entity; and
- b. The cost of the assets can be measured reliably.

Other assets

Other assets include all balance sheet items not covered specifically in other areas.

Leasing

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

AB Bank Limited

Notes to financial statements for the year ended 31 December 2010

Bank as lessee

Assets held under finance lease are recognised 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.

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

Bank as lessor

The Bank did not grant any lease finance.

Stock of stationery

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

1.4 Capital, reserve, liabilities and provision and basis of their valuation

Share capital

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets.

Statutory reserve

As per Section 24 of Banking Companies Act 1991, 20% of current year's profit of the Bank is required to transfer to reserve until such reserve together with share premium account equals to its paid up capital. According the Bank has transferred 20% of its current year's profit before tax to statutory reserve.

Revaluation reserve

When an asset's carrying amount is increased as a result of revaluation, the increased amount should be credited directly to equity under the heading revaluation surplus/ reserve as per BAS 16 "Property, Plant and Equipment".

During the year 2010, fixed assets namely, lands and buildings, were revalued by an independent Valuer resulting a revaluation surplus of Taka 769,940,070 . This was approved by the Board of Directors of the Bank in its 468th meeting held on 28 November 2010. Necessary declaration (price sensitive) in this respect has been made.

Deposits and other accounts

Deposits are recognised when the Bank enters into contractual arrangements with the counterparties, which are generally on trade date and initially measured at the amount of consideration received.

Borrowing

Borrowed funds include call money, term borrowings and re-finance from different commercial banks, non-banking financial institutions and central bank.

Provision for taxation

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

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 Bank'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 @ 42.5% on the accounting profit made by the Bank after considering taxable allowances and disallowances as per income tax laws applicable for the Bank.

AB Bank Limited

Notes to financial statements for the year ended 31 December 2010

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 Bank 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 Statement as per BAS-12 "Income Taxes" (note 13.3).

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 BAS 19 "Employee Benefit". Bases of enumerating the retirement benefits schemes operated by the bank are outlined below:

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 employee's 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.

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.

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.

Provision for liabilities

A provision is recognised 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 BAS 37 "Provision, Contingent Liabilities and Contingent Assets".

AB Bank Limited

Notes to financial statements for the year ended 31 December 2010

No provision is recognised 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.

Provision for nostro accounts

Provision for nostro accounts is maintained as per circular letter no. FEPD(FEMO)/01/2005-677 dated 13 September 2005 issued by Foreign Exchange Policy Department of Bangladesh Bank.

Non-controlling interest

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to parent.

As per BAS 27 'Consolidated and Separate Financial Statements' Bank presents non-controlling interest separately in financial statements.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non- controlling interest. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interest even if this result in the non-controlling interest having a deficit balance.

1.5 Revenue recognition

Interest income

According to the BAS 18 "Revenue", the interest income is recognised 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.

Profit on investment (Islami Banking Branch)

Profit on investment is taken into income account from profit receivable account. Overdue charges/ compensation on classified investment is transferred to profit suspense/ compensation receivable account instead of income account.

Investment income

Interest income on investments is recognised 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.

Fees and commission income

Fees and commission income on services provided by the Bank are recognised 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.

Dividend income on shares

As per BAS 18 "Revenue", dividend income from investment in shares is recognised when the bank's right to receive dividend is established. It recognised when:

- a. It is probable that the economic benefits associated with the transaction will flow to the entity; and
- b. the amount of the revenue can be measured reliably.

Interest paid on deposits and borrowings

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

AB Bank Limited

Notes to financial statements for the year ended 31 December 2010

Profit paid on deposits (Islami Banking Branch)

Profit paid to different Mudaraba depositors is recognised on accrual basis as per provisional rate. However, the final rate of profit is determined and to be paid to the depositors as per Annex H.

Other operating expenses

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

1.6 Reconciliation of books of account

Books of account with 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 items in NOSTRO accounts as at 31 December 2010.

1.7 Earnings per share

Basic earnings per share

Basic earnings per share have been calculated in accordance with BAS 33 "Earnings per Share" which has been shown in the face of the Profit and Loss Statement. This has been calculated by dividing the basic earnings by the total ordinary outstanding shares. Last year EPS was restated for issuing of bonus shares for 2009.

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.

1.8 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 no. 08 and 10 dated 07 August 2007 and 18 September 2007 respectively general provision @ 1% has been made on the outstanding balance of letter of credit, guarantee and acceptances as at 31 December 2010.

1.9 Memorandum items

Memorandum items are maintained for those items for which the Bank has only a business responsibility and no legal commitment. Stock of traveller's cheques, value of savings certificates (sanchaya patra), etc fall under the memorandum items.

1.10 Reporting period

These financial statements cover calendar year ended 31 December 2010. Segmental reporting period shown in below:

Sl no.	Name of the entity	Reporting period
1	AB Bank Limited	01 January 2010 to 31 December 2010
2	Merchant Banking Wing	01 January 2010 to 09 March 2010
3	Off Shore Banking Unit	28 April 2010 to 31 December 2010
4	AB Investment Limited	10 March 2010 to 31 December 2010
5	AB Securitites Limited	02 August 2010 to 31 December 2010
6	Cashlink Bangladesh Limited	01 January 2010 to 31 December 2010
7	AB International Finance Limited	01 January 2010 to 31 December 2010

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010
1.11 Segment Reporting

The Bank reports its operations under the following two business segments as per Bangladesh Financial Reporting Standards (BFRS) 8 "Operating Segment".

By Geographical Location & Segment Business
Income Statements

Particulars	AB Bank Limited							Subsidiaries				Amounts in Taka	
	Inside Bangladesh					Mumbai Branch India	Total	Inside Bangladesh			AB Int. Finance Ltd (Hong Kong)	AB Bank & Its Subsidiaries	
	Conventional Banking	Islamic Banking	Investment Banking	Off- Shore Banking Unit	Merchant Banking			AB Investment Limited	AB Securities Ltd	CBL			
Interest income	9,185,097,454	400,549,182	-	18,200,573	202,439,591	39,266,410	9,840,277,194	713,088,376	65,185,961	18,558,414	79,750,216	10,716,860,160	
Interest paid on deposits and borrowings, etc	5,459,315,556	238,627,672	529,686,679	18,239,447	115,952,350	3,366,292	6,358,862,124	218,029,319	17,811,568	28,406,349	8,813,578	6,631,922,938	
Net interest income	3,725,781,898	161,921,510	(529,686,679)	(38,874)	86,487,241	35,900,118	3,481,415,070	495,059,057	47,374,393	(9,847,935)	70,936,637	4,084,937,223	
Investment income	1,742,492,823	3,192,222	3,303,939,734	-	-	10,298,971	5,059,923,750	40,382	146,330,682	162,757	-	4,705,923,356	
Commission, exchange and brokerage	1,693,900,556	20,124,713	2,996,445	25,728,000	144,563,063	230,481,788	2,117,794,565	576,707,272	139,161,772	18,494,834	27,347,254	2,879,505,698	
Other operating income	236,044,933	97,334	-	104,710	-	2,533,473	238,780,449	22,641,987	10,668,019	43,390,352	18,829,194	334,310,001	
Total operating income	7,398,220,210	185,335,779	2,777,249,500	25,793,835	231,050,304	279,214,350	10,897,913,834	1,094,448,698	343,534,866	52,200,008	117,113,085	12,004,676,277	
OPERATING EXPENSES													
Salary and allowances	1,760,395,210	17,821,215	13,515,258	1,045,449	2,763,418	17,140,745	1,812,681,294	8,760,396	7,630,640	14,326,955	20,436,931	1,863,836,216	
Rent, taxes, insurance, electricity, etc	257,721,317	592,923	2,779,032	354,334	417,353	8,798,918	270,663,877	2,016,198	1,005,807	9,525,550	11,831,864	295,043,296	
Legal expenses	12,718,515	-	200,000	-	-	3,667	12,922,182	100,000	292,000	493,750	297,615	14,105,546	
Postage, stamps, telecommunication, etc	93,334,551	308,973	118,738	10,104	25,572	7,941,593	101,739,532	208,229	763,404	911,111	6,598,588	110,220,864	
Stationery, printing, advertisement, etc	134,220,893	757,329	187,856	-	138,534	3,943,892	139,248,504	1,833,363	1,030,524	501,810	309,983	142,924,185	
Directors' fees	1,961,333	94,752	-	-	-	-	2,056,085	115,000	123,500	37,500	-	2,332,085	
Auditors' fees	782,500	-	-	-	-	916,372	1,698,872	108,775	116,667	100,000	251,303	2,275,617	
Charges on loan losses	-	-	-	-	-	-	-	-	-	-	-	-	
Depreciation and repairs of Bank's assets	219,458,822	2,546,007	3,060,584	-	205,658	13,664,027	238,935,098	1,060,798	1,499,621	48,848,810	378,541	290,722,868	
Other expenses	791,133,913	4,126,608	36,489,109	133,113	4,194,377	71,528,626	908,655,601	68,618,678	15,510,366	53,703,843	3,915,234	1,050,403,722	
Total operating expenses	3,271,727,055	26,247,807	56,350,577	1,543,000	7,744,912	123,937,840	3,488,601,047	82,821,437	27,972,529	128,449,329	44,020,059	3,771,864,400	
Profit before provision	4,126,493,154	159,087,972	2,720,898,923	24,250,835	223,305,392	155,276,511	7,409,312,788	1,011,627,262	315,562,337	(76,249,321)	73,093,026	8,232,811,877	
Provision against loans and advances							709,237,082					775,278,129	
Provision for diminution in value of investments							142,674,519					148,417,573	
Other provisions							200,000,000					200,000,000	
Total provision							1,051,911,601					1,123,695,702	
Profit before taxation							6,357,401,187					7,109,116,175	
Provision for taxation							2,661,384,083					3,119,596,201	
Net profit after taxation							3,696,017,104					3,989,519,974	

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010
Balance Sheet

Amounts in Taka

Particulars	AB Bank Limited					Subsidiaries				AB Bank & Its Subsidiaries
	Inside Bangladesh			Mumbai Branch, India	Total	AB Investment Limited	AB Securities Ltd	CBL	AB Int. Finance Ltd (Hong Kong)	
	Conventional Banking	Islamic Banking	Off- Shore Banking Unit							
Amounts in Taka										
PROPERTY AND ASSETS										
Cash	6,566,276,455	46,018,214	-	2,825,300	6,615,119,969	-	13,513	654,205	-	6,615,787,687
Balance with other banks and financial institutions	2,370,527,572	3,757,460,807	18,545,885	410,839,311	6,299,137,869	95,961,044	569,515,031	252,017,682	4,206,723	4,855,275,265
Money at call and on short notice	270,000,000	-	-	110,180,000	380,180,000	-	-	-	-	380,180,000
Investments	14,325,928,036	41,000,000	-	215,663,578	14,562,671,613	241,876,552	72,211,459	181,941,700	-	15,048,539,567
Loans and advances	82,483,430,519	3,605,082,247	1,439,262,602	771,048,112	88,298,823,481	6,098,303,586	916,673,257	-	1,633,642,870	96,730,292,593
Fixed assets	3,877,973,646	13,497,714	-	34,869,309	3,926,340,669	3,963,449	15,557,755	141,594,282	508,467	4,087,964,621
Other assets	12,967,356,056	84,210,079	11,612,719	301,971,257	12,905,984,992	345,621,356	407,855,275	62,919,592	1,598,118	6,285,838,580
Non-banking assets	-	-	-	-	-	-	-	-	-	-
Total Assets	122,861,492,285	7,547,269,061	1,469,421,205	1,847,396,867	132,988,258,593	6,785,725,988	1,981,826,289	639,127,461	1,639,956,178	134,003,878,314

PROPERTY AND ASSETS
LIABILITIES AND CAPITAL
Liabilities

Borrowings from other banks, financial institutions and agents	9,652,652,697	3,201,903,741	1,444,929,624	-	14,200,436,481	-	-	217,150,601	1,443,869,163	14,200,436,481
Deposits and other accounts	91,178,520,098	4,008,216,310	-	674,344,245	95,701,894,525	-	-	-	-	94,780,200,605
Other liabilities	8,609,273,747	337,149,011	-	272,996,623	9,219,419,370	1,225,243,051	1,532,978,673	418,308,791	74,309,153	10,872,616,563
Minority Interest	-	-	-	-	-	-	-	-	-	3,747,308
Total Liabilities	109,440,446,541	7,547,269,061	1,444,929,624	947,340,868	119,121,750,377	1,225,243,051	1,532,978,673	635,459,392	1,518,178,317	119,857,000,957
Total Shareholders' Equity	13,421,045,744	-	24,491,581	900,055,998	13,866,508,216	5,560,482,937	448,847,616	3,668,070	121,777,861	14,146,877,356
Total Liabilities and Shareholders' Equity	122,861,492,285	7,547,269,061	1,469,421,205	1,847,396,867	132,988,258,593	6,785,725,988	1,981,826,289	639,127,461	1,639,956,178	134,003,878,314

AB Bank Limited**Notes to financial statements for the year ended 31 December 2010****1.12 Compliance of Bangladesh Accounting Standard (BAS) and Bangladesh financial Reporting Standards (BFRS)**

While preparing the financial statements, Bank applied most of the Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) as adopted by the Institute of Chartered Accountants of Bangladesh as applicable to the Bank:

SI no.	Name of BAS	No. of BAS	Status
1	Presentation of Financial Statements	1	Complied
2	Inventories	2	N/A
3	Statement of Cash Flows	7	Complied
4	Accounting Policies, Changes in Accounting Estimates and Errors	8	Complied
5	Events after the Reporting Period	10	Complied
6	Construction Contracts	11	Complied
7	Income Taxes	12	Complied
8	Property, Plant and Equipment	16	Complied
9	Leases	17	Complied
10	Revenue	18	Complied
11	Employee Benefits	19	Complied
12	Accounting for Government Grants and Disclosure of Government Assistance	20	N/A
13	The Effects of Changes in Foreign Exchanges Rates	21	Complied
14	Borrowing Costs	23	Complied
15	Related Party Disclosures	24	Complied
16	Accounting for Investments	25	Complied
17	Accounting and Reporting by Retirement Benefit Plans	26	Complied
18	Consolidated and Separate Financial Statements	27	Complied
19	Investments in Associates	28	Complied
20	Interests in Joint Ventures	31	N/A
21	Financial Instruments: Presentation	32	**
22	Earnings Per Share	33	Complied
23	Interim Financial Reporting	34	Complied
24	Impairment of Assets	36	Complied
25	Provisions, Contingent Liabilities and Contingent Assets	37	Complied
26	Intangible Assets	38	Complied
27	Financial Instruments: Recognition and Measurement	39	**
28	Investment Property	40	Complied
29	Agriculture	41	N/A

* N/A = Not Applicable

** Relevant disclosures are made according to the requirement of Bangladesh Bank.

AB Bank Limited

Notes to financial statements for the year ended 31 December 2010

Sl no.	Name of the BFRS	No. of BAS	Status
1	First-time Adoption of International Financial Reporting Standards	1	N/A
2	Share Based Payment	2	N/A
3	Business Combinations	3	Complied
4	Insurance Contracts	4	N/A
5	Non-Current Assets Held for Sale and Discontinued Operations	5	N/A
6	Exploration for and Evaluation of Mineral Resources	6	N/A
7	Financial Instruments: Disclosures	7	**
8	Operating Segments	8	Complied

* N/A = Not Applicable

** Relevant disclosures are made according to the requirement of Bangladesh Bank.

1.13 Regulatory and legal compliance

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

- The Bank Companies Act 1991
- The Companies Act 1994
- Rules, regulations and circulars issued by the Bangladesh Bank from time to time
- The Securities and Exchange Rules 1987
- The Securities and Exchange Ordinance 1969
- The Securities and Exchange Commission Act 1993
- The Securities and Exchange Commission (Public Issues) Rules 2006
- The Income Tax Ordinance 1984
- The Value Added Tax (VAT) 1991
- Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE) and Central Depository Bangladesh Limited (CDBL) rules and regulations.

1.14 Risk management

Risk is defined as uncertainties resulting in adverse variation of profitability or in 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. The 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:

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, two separate units have been formed within the credit division. These are (a) Credit Risk Management Unit and (b) Credit Administration 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.

AB Bank Limited

Notes to financial statements for the year ended 31 December 2010

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 credit committee.

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 policies. Loans are classified as per Bangladesh Bank's guidelines. Concentration of single borrower / large loan limit is shown in note-7.4.

Operating risk

Operational risk address the risk associated with fraud, forgery, unauthorised activities, error, omission, system failure and external events among others. Bank 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 bank's business and operations. Surprise inspections are also made on a regular basis to make sure that all control tools are functioning properly.

Market risk

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

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.

Financial Institution and Treasury (FIT) division independently conducted the foreign exchange 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 Market rate as determined by Bangladesh Bank at the month end. All nostro accounts are reconciled on a monthly basis and outstanding entry 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.

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, bond, etc. 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.

Equity position risk

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

AB Bank Limited

Notes to financial statements for the year ended 31 December 2010

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. Management of liquidity and funding is carried out by Financial Institution and Treasury (FIT) department under approved policy guidelines. FIT 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.

Risk arising from money laundering

AB Bank Limited 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 Director's 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.

1.15 Credit Rating of the Bank

Credit rating of the Bank in last three years are:

Bases of incorporation	Date of Rating	Long term	Short term
Jan to Dec 2009	15 June 2010	AA ₃	ST-1
Jan to June 2009	29 September 2009	AA ₃	ST-1
Jan to Dec 2008	24 May 2009	A ₁	ST-2
Jan to Dec 2007	15 May 2008	A ₂	ST-2

1.16 Events after Reporting Period

As per BAS -10 "Events after Reporting Period" events after the reporting period are those events, favourable and unfavourable, 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 was no material events which 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;

AB Bank Limited

Notes to financial statements for the year ended 31 December 2010

- (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 the 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 (CARD Department)	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	5,762,500
Elite International Ltd	Common Director's	Rent of Card Department	750,000

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 no.	Name	Status with Bank	Status with Committee	Duration	Educational Qualification
1	Mr. Shishir Ranjan Bose, FCA	Director	Chairman	With effect from 16 July 2008	Fellow of Chartered Accountants
2	Mr. M. Wahidul Haque	Chairman	Member	With effect from 04 February 2008	BA, LLB
3	Mr. Salim Ahmed	Vice-Chairman	Member	With effect from 16 July 2008	B.A. (Hons.), M.A. (History)

The Company Secretary acts as Secretary of the Audit Committee of the Board.

ii) Meeting held with Audit Committee

During the year 2010, the audit committee conducted twelve (12) 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 2010; 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.

AB Bank Limited

Notes to financial statements for the year ended 31 December 2010

1.19 Shariah Council

AB Bank Shariah Council was re-constituted during the year 2009 as per provision of its By-Laws. Members of re-constituted council are as under:

Sl no.	Name	Status with the Committee	Educational Qualification
1	Mr. Shah Abdul Hannan	Chairman	Masters in Economics from Dhaka University & Scholar of Islamic
2	Mr. M. Azizul Haue	Vice-Chairman	M.A (Economics) Dhaka University & Scholar of Islamic Banking.
3	Dr. Md. Harun Rashid	Member	M.A, M. Phil P.H.D (Aligor University), India. Islamic Law (1st class), Dewband, India. Fazel-E-Dewband (1st class), Dewband, India.
4	Mr. Muhammad Musa	Member	Kamil, Madrasah Education Board, Dhaka. B.Com. (Hons.) & M.Com, Dhaka University.
5	Mr. M. Wahidul Haque Chairman, ABBL	Member	BA, LLB
6	Mr. Kaiser A. Chowdhury	Member	M.A (Economics) Dhaka University
7	Mr. Mukhlesur Rahman	Member Secretary	Kamil, Madrasah Education Board, Dhaka. B.A (Hons) & M.A in Islamic Studies, Dhaka University Higher Diploma in Arabic Language, Dhaka University.

During the year 2010, the Shariah Council meets in three meetings. In these meetings different issues were discussed and prudent guidance/opinion were given among which important ones are as under:

- Reviewing the Shariah Audit'09 of Islami Banking Branch and its observations
- Discussing the 'Islamic Banking Operation Manual' and approving by the council.
- Approving the Annual Report, 2009 of AB Bank Shariah Council.
- Ensuring Shariah based investment system in Inland Bill (IB)/ Foreign Bill (FB).
- Ensuring possession on goods bought to be invested and different ways or situations of handing over those to clients.
- Approving 2(two) new products as Mudaraba Marriage Savings Account and Mudaraba Wakf Cash Deposit Account.

2. General

- Figures relating to the previous year included in this report have been rearranged, wherever considered necessary, to make them comparable with those of the current year without, however, creating any impact on the operating result and value of assets and liabilities as reported in the financial statements for the current year.
- Figures in these notes and in the annexed financial statements have been rounded off to the nearest Taka.
- These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

AB Bank Limited

Notes to financial statements for the year ended 31 December 2010

		Amounts in Taka	
		At 31 Dec 2010	At 31 Dec 2009
Balance Sheet			
3. Cash			
Cash in hand (note 3.1)		793,297,326	489,993,012
Balance with Bangladesh Bank and its agent bank(s) (note 3.2)		5,821,822,643	4,864,888,564
		6,615,119,969	5,354,881,576
3(a) Consolidated Cash			
AB Bank Limited		6,615,119,969	5,354,881,576
AB Investment Limited		-	-
AB International Finance Limited		-	-
AB Securities Limited		13,513	-
Cashlink Bangladesh Limited		654,205	-
		6,615,787,687	5,354,881,576
3.1 Cash in hand			
In local currency		769,435,241	463,150,868
In foreign currency		23,862,085	26,842,144
		793,297,326	489,993,012
3.1(a) Consolidated Cash in hand			
AB Bank Limited		793,297,326	489,993,012
AB Investment Limited		-	-
AB International Finance Limited		-	-
AB Securities Limited		13,513	-
Cashlink Bangladesh Limited		654,205	-
		793,965,044	489,993,012
3.2 Balance with Bangladesh Bank and its agent bank(s)			
Balance with Bangladesh Bank			
In local currency		5,238,293,054	4,400,326,087
In foreign currency		166,633,259	156,824,678
		5,404,926,313	4,557,150,765
Sonali Bank Limited			
(as an agent bank of Bangladesh Bank) - local currency		416,896,330	307,737,799
		5,821,822,643	4,864,888,564
3.2(a) Consolidated Balance with Bangladesh Bank and its agent bank(s)			
AB Bank Limited		5,821,822,643	4,864,888,564
AB Investment Limited		-	-
AB International Finance Limited		-	-
AB Securities Limited		-	-
Cashlink Bangladesh Limited		-	-
		5,821,822,643	4,864,888,564
3.3 Statutory deposits			

Conventional Banking (Inside Bangladesh)

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 MPD's subsequent circular nos. 04 and 05 dated 01 December 2010.

AB Bank Limited**Notes to financial statements for the year ended 31 December 2010**

Amounts in Taka

At	At
31 Dec 2010	31 Dec 2009

The statutory cash reserve ratio is required on the Bank's time and demand liabilities at the rate of 6% and has been calculated and maintained with Bangladesh Bank in current account while statutory liquidity ratio of 19% is required, 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	5,098,902,380	3,845,486,020
Actual reserve maintained	5,352,051,425	4,400,326,087
Surplus	253,149,045	554,840,067

As per Bank ledger, balance with Bangladesh Bank (local currency) is Tk. 5,196,200,623 while as per Bangladesh Bank Statement balance is Tk. 5,352,051,425 Difference is properly reconciled and was adjusted before reporting date.

(b) Statutory Liquidity Reserve (SLR)

Required reserve	11,047,621,810	9,998,263,652
Actual reserve maintained	12,075,393,800	10,446,355,129
Surplus	1,027,771,990	448,091,477
Total required reserve	16,146,524,190	13,843,749,672
Total actual reserve held	17,427,445,225	14,846,681,216
Total surplus	1,280,921,035	1,002,931,544

As per MPD Circular nos. 04 and 05 dated 01 December 2010 all scheduled Banks have to maintain CRR and SLR (including CRR) @ 6 % and 19 % daily of their total time and demand liabilities on bi-weekly average basis respectively, where the Bank maintained at the year ended 6.30% and 20.51% respectively.

Islami Banking**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 MPD's subsequent circular nos. 04 and 05 dated 01 December 2010.

The statutory cash reserve ratio is required on the Bank's time and demand liabilities at the rate of 6% and has been calculated and maintained with Bangladesh Bank in current account while statutory liquidity ratio of 11.50% is required, 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	39,049,000	-
Actual reserve maintained	42,092,431	-
Surplus	3,043,431	-

(b) Statutory Liquidity Reserve (SLR)

Required reserve	-	-
Actual reserve maintained	41,000,000	-
Surplus	41,000,000	-
Total required reserve	39,049,000	-
Total actual reserve held	83,092,431	-
Total surplus	44,043,431	-

AB Bank Limited**Notes to financial statements for the year ended 31 December 2010**

Amounts in Taka

At	At
31 Dec 2010	31 Dec 2009

Mumbai Branch**Cash reserve ratio and statutory liquidity ratio**

Cash reserve ratio and statutory liquidity ratio have been calculated and maintained in accordance with section 24 of the Banking Companies Act 1949, Section 42(2) of the Reserve Bank of India (RBI) Act 1934 and RBI circular no. DBOD.No.RET.BC.23/12.01.001/2010- 11, 01 July 2010.

The statutory cash reserve ratio is required on the Bank's time and demand liabilities at the rate of 6% and has been calculated and maintained with RBI in current account while statutory liquidity ratio of 24% is required, 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 RBI. Both the reserves are maintained by the Branch in excess of the statutory requirements, as shown below :

(a) Cash Reserve Ratio (CRR)

Required reserve	14,159,463	12,187,068
Actual reserve maintained	27,918,117	29,451,586
Surplus	13,758,654	17,264,518

(b) Statutory Liquidity Reserve (SLR)

Required reserve	135,295,482	138,289,044
Actual reserve maintained	163,091,978	186,261,769
Surplus	27,796,496	47,972,725
Total required reserve	149,454,945	150,476,112
Total actual reserve held	191,010,095	215,713,355
Total surplus	41,555,150	65,237,243

4. Balance with other banks and financial institutions

In Bangladesh (note 4.1)	3,883,196,975	1,111,711,079
Outside Bangladesh (note 4.2)	2,415,940,894	2,382,407,068
	6,299,137,869	3,494,118,146

4(a) Consolidated balance with other banks and financial institutions

In Bangladesh	3,883,196,975	1,111,711,079
Outside Bangladesh (Nostro Accounts)	972,078,290	1,382,660,764
	4,855,275,265	2,494,371,843

AB Bank Limited**Notes to financial statements for the year ended 31 December 2010****4.1 In Bangladesh****Current Deposits**

Sonali Bank, FITD
Agrani Bank Ltd, Barishal Branch
Agrani Bank Ltd, Mymensingh Branch
Janata Bank, Rangpur Branch
Agrani Bank Ltd, Bhairab Bazar Branch
Standard Chartered Bank, Dhaka City Centre Branch
Bangladesh Krishi Bank, Barishal
RAKUB, Rangpur Branch
BRAC Bank Ltd, Gulshan Branch
The Trust Bank Ltd, Principal Branch, Dhaka
Bank Asia Ltd, Principal Branch
Agrani Bank Ltd, Laldighir Par Branch, Modhuban, Sylhet
Agrani Bank Ltd, Principal Branch, Dilkusha, Dhaka
Janata Bank Ltd, Jessore Branch
Janata Bank Ltd, Barishal Branch
Agrani Bank Ltd, Shaheb Bazar Branch, Rajshahi
Islami Bank Bangladesh Ltd, Local Office
Rupali Bank, Rajshahi Branch
IFIC Bank, Rajshahi Branch
Janata Bank, Rajshahi Branch
Rupali Bank, Rangpur Branch
RAKUB, Rajshahi Branch
Agrani Bank Ltd, Brahmanbaria Branch
The Trust Bank Ltd, Corporate Branch, Dilkusha, Dhaka
Agrani Bank Ltd, Rangpur Branch
Bank Asia Ltd, Principal Branch
Agrani Bank Ltd, Thana Road Branch, Bogra

Amounts in Taka	
At	At
31 Dec 2010	31 Dec 2009

49,744,778	-
36,265,640	-
30,019,409	98,972
10,734,063	-
5,001,109	1,579
4,109,642	2,546,348
3,079,003	-
2,013,652	-
1,361,738	-
784,109	-
505,200	-
53,068	91,571
24,885	26,080
12,072	145,300
7,445	-
5,000	11,255
2,727	2,727
1,500	-
1,340	-
1,000	-
647	-
364	-
55	55
-	2,187,493
-	36,063
-	529,600
-	10,000,282
143,728,445	15,677,325

Short Notice Deposits

Agrani Bank Ltd, Rangpur Branch
Agrani Bank Ltd, Bogra Branch
First Security Islami Bank Ltd
Agrani Bank Ltd, Jessore Branch
Agrani Bank Ltd, Saidpur Branch
Agrani Bank Ltd, Naogaon Branch
Bank Asia Ltd, Shantinagar Branch
Islami Bank Bangladesh Ltd, Local Office
Agrani Bank Ltd, Sir Iqbal Road Branch, Khulna
Southeast Bank Ltd, Principal Branch
Agrani Bank Ltd, Modhuban Branch, Sylhet
Agrani Bank Ltd, Jhikargachha Branch
Agrani Bank Ltd, Satkhira Branch
Agrani Bank Ltd, Court Road Branch, Narayanganj
Agrani Bank Ltd, Moulvi Bazar Branch
Agrani Bank Ltd, Local Office
Agrani Bank Ltd, Chawk Bazar Branch, Barisal

24,452,704	26,640,607
17,507,812	7,530
10,000,000	-
7,662,419	17,652,979
3,384,768	9,174,106
1,394,099	2,121,971
1,099,528	-
61,132	60,812
59,019	19,583
48,120	49,120
42,359	332,950
33,586	33,721
9,999	7,227
3,820	3,961
2,972	241
706	985
-	38,389,595
65,763,043	94,495,388

AB Bank Limited**Notes to financial statements for the year ended 31 December 2010**

	Amounts in Taka	
	At 31 Dec 2010	At 31 Dec 2009
Savings Deposits		
Social Islamic Bank Ltd, Principal Branch	173,002,885	921,106
Shahjalal Islami Bank Ltd, Foreign Exchange Branch	702,602	617,261
	<u>173,705,488</u>	<u>1,538,366</u>
Fixed Deposits		
The Premier Bank Ltd	1,400,000,000	200,000,000
First Security Islami Bank Ltd.	700,000,000	-
Shahjalal Islami Bank Ltd	400,000,000	-
Social Islamic Bank Ltd	400,000,000	300,000,000
Phoenix Finance and Investment Ltd	300,000,000	300,000,000
South East Bank Ltd	200,000,000	-
Hajj Finance Company Ltd	100,000,000	50,000,000
Islamic Finance and Investment Ltd	-	150,000,000
	<u>3,500,000,000</u>	<u>1,000,000,000</u>
	<u>3,883,196,975</u>	<u>1,111,711,079</u>

4.1(a) Consolidated In Bangladesh

AB Bank Limited	3,883,196,975	1,111,711,079
AB Investment Limited	95,961,044	-
AB International Finance Limited	-	-
AB Securities Limited	569,515,031	-
Cashlink Bangladesh Limited	252,017,682	-
	<u>4,800,690,732</u>	<u>1,111,711,079</u>
<u>Less:</u> Inter-company transaction	<u>917,493,756</u>	<u>-</u>
	<u>3,883,196,976</u>	<u>1,111,711,079</u>

AB Bank Limited**Notes to financial statements for the year ended 31 December 2010****4.2 Outside Bangladesh****Current Deposits**

		Amounts in Taka	
		At 31 Dec 2010	At 31 Dec 2009
The Bank of Tokyo Mitsubishi Ltd	2,246,061	26,663,722	
HSBC Plc	5,831,509	20,560,658	
Lloyds TSB Bank Plc	-	3,833,487	
HSBC (Mumbai)	12,240,094	11,983,527	
JP Morgan Chase Bank	80,083,990	16,830,732	
Sonali Bank (Kolkata)	3,039,892	6,967,668	
Myanmar Economic Bank	29,007	28,399	
Citibank NA	47,113,037	333,329,929	
Hatton National Bank Ltd	1,982,591	1,646,518	
Commerz Bank AG	828,587	1,382,670	
AB International Finance Ltd	1,614,508,154	1,123,713,674	
State Bank of India	1,112,562	1,089,241	
NIB Bank Ltd.	7,685,032	10,370,802	
Lloyds TSB Bank Plc	-	1,745,377	
Mashreq Bank Psc	9,010,780	10,319,507	
Nepal Bangladesh Bank Ltd	3,354,190	4,347,992	
Bank of Bhutan	15,831,217	4,798,433	
HSBC Plc	2,215,325	356,239	
BCCI	119,967	117,452	
Wachovia Bank/Wells Fargo N.A	24,363,090	31,295,436	
Habib America Bank	2,267,015	16,063,722	
Commerz Bank AG	41,514,448	44,465,379	
Hypovereins Bank	8,939,318	9,092,336	
HSBC	53,114,236	-	
National Commercial Bank Ltd	46,566,382	11,252,756	
Habib Metro Bank	1,013,510	664,960	
U.B.A.F-BANQUES	1,401,552	1,383,602	
Habib Bank AG	703,067	688,310	
UBAF (Hong Kong) Limited	17,986,970	-	
Reserve Bank of India	25,092,817	26,081,424	
HDFC Bank	36,025,231	68,711,274	
Central Bank of India	292,698	276,734	
Commerz Bank AG (Euro)	5,138,735	23,744	
HSBC (Euro)	2,646,580	454,327	
HSBC (GBP)	850,541	1,883,378	
HSBC (USD)	35,355,011	346,327,961	
HSBC (ACUD)	197,665,269	-	
JP Morgan Chase Bank	107,772,429	5,735,697	
	2,415,940,894	2,144,487,068	
Fixed Deposits			
HDFC Bank	-	237,920,000	
	2,415,940,894	2,382,407,068	

Details are given in Annex - A.

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

		Amounts in Taka	
		At 31 Dec 2010	At 31 Dec 2009
4.2(a) Consolidated Outside Bangladesh (Nostro Accounts)			
AB Bank Limited	2,415,940,894	2,382,407,068	
AB International Finance Limited	4,206,723	1,091,035	
AB Investment Limited	-	-	
AB Securities Limited	-	-	
Cashlink Bangladesh Limited	-	-	
	2,420,147,618	2,383,498,103	
<u>Less: Inter-company transactions</u>	1,448,069,328	1,000,837,339	
	972,078,290	1,382,660,764	
4.3 Account-wise/grouping of balance with other banks and financial institutions			
Current deposits	2,559,669,339	2,160,164,392	
Savings deposits	173,705,488	1,538,366	
Short-term deposits	65,763,043	94,495,388	
Fixed deposits	3,500,000,000	1,237,920,000	
	6,299,137,870	3,494,118,147	
4.4 Maturity grouping of balance with other banks			
Repayable – on demand	2,559,669,339	2,160,164,392	
– upto 3 months	1,239,468,531	304,213,755	
– over 3 months but below 1 year	2,500,000,000	1,029,740,000	
– over 1 year but below 5 years	-	-	
– over 5 years	-	-	
	6,299,137,870	3,494,118,147	
5. Money at call and on short notice			
In side Bangladesh (note 5.1)	270,000,000	600,000,000	
Out side Bangladesh (note 5.2)	110,180,000	-	
	380,180,000	600,000,000	
5.1 In side Bangladesh			
<u>With banking companies</u>	-	-	
<u>With non-banking financial institutions</u>			
People's Leasing and Financial Services Ltd	140,000,000	120,000,000	
First Lease International Ltd	80,000,000	80,000,000	
International Leasing and financial Services Ltd	-	200,000,000	
Uttara Finance and Investment Ltd	-	50,000,000	
National Housing Company Ltd	-	50,000,000	
Bay Leasing Company Ltd	50,000,000	100,000,000	
	270,000,000	600,000,000	
	270,000,000	600,000,000	
<u>At short notice</u>	-	-	
<u>On calls and placements</u>			
People's Leasing and Financial Services Ltd	140,000,000	120,000,000	
First Lease International Ltd	80,000,000	80,000,000	
International Leasing and financial Services Ltd	-	200,000,000	
Uttara Finance and Investment Ltd	-	50,000,000	
Bay Leasing Company Ltd	50,000,000	100,000,000	
National Housing Company Ltd	-	50,000,000	
	270,000,000	600,000,000	
	270,000,000	600,000,000	
5.2 Out side Bangladesh			
HDFC Bank Limited, India (Call Lending)	78,700,000	-	
HDFC Bank Limited, India (Term Lending)	31,480,000	-	
	110,180,000	-	

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

		Amounts in Taka	
		At 31 Dec 2010	At 31 Dec 2009
5(a) Consolidated Money at call and on short notice			
AB Bank Limited	380,180,000	600,000,000	
AB Investment Limited	-	-	
AB International Finance Limited	-	-	
AB Securities Limited	-	-	
Cashlink Bangladesh Limited			
	380,180,000	600,000,000	
6. Investments			
Nature wise:			
Held for Trading	6,515,849,902	3,161,717,761	
Held to Maturity	4,341,196,898	6,481,038,000	
Others	3,705,624,813	6,726,547,465	
	14,562,671,613	16,369,303,226	
Claim Nature wise:			
Government securities (note 6.1)	10,925,594,003	9,675,466,462	
Other investments (note 6.2)	3,637,077,610	6,693,836,764	
	14,562,671,613	16,369,303,226	
6 (a) Consolidated investments			
AB Bank Limited	14,562,671,613	16,369,303,226	
AB International Finance Limited	-	-	
AB Investment Limited	241,876,552	-	
AB Securities Limited	72,211,459	-	
Cashlink Bangladesh Limited (CBL)	181,941,700	-	
	15,058,701,324	16,369,303,226	
<u>Less:</u> Inter-group transaction	10,161,757	-	
	15,048,539,567	16,369,303,226	
6.1 Government securities			
Treasury bills	1,301,107,246	2,633,999,522	
Treasury bonds (note: 6.1.1)	9,555,939,557	7,008,756,240	
Debentures - Bangladesh House Building Finance Corporation (Maturity date: 14 March 2015, interest rate: 5.50%)	25,000,000	30,000,000	
Bangladesh Bank Islami Investment Bond	41,000,000	-	
Prize bonds	2,547,200	2,710,700	
Total Government securities	10,925,594,003	9,675,466,462	

6.1.1 Treasury bonds

Type	Rate	Maturity Date
BD Govt. Treasury Bond	7.50%	10-04-11
BD Govt. Treasury Bond	7.50%	12-06-11
BD Govt. Treasury Bond	7.50%	20-09-11
BD Govt. Treasury Bond	7.50%	18-04-12
BD Govt. Treasury Bond	10.82%	18-07-12
BD Govt. Treasury Bond	10.74%	19-09-12
BD Govt. Treasury Bond	10.69%	17-10-12
BD Govt. Treasury Bond	10.65%	21-11-12
BD Govt. Treasury Bond	10.65%	19-12-12
BD Govt. Treasury Bond	10.14%	20-05-14
BD Govt. Treasury Bond	7.81%	20-01-15
BD Govt. Treasury Bond	7.82%	17-02-15
BD Govt. Treasury Bond	7.85%	18-03-15
BD Govt. Treasury Bond	7.86%	21-04-15
BD Govt. Treasury Bond	7.88%	21-07-15
BD Govt. Treasury Bond	7.88%	18-08-15
BD Govt. Treasury Bond	7.96%	20-10-15
BD Govt. Treasury Bond	12.19%	04-07-17
BD Govt. Treasury Bond	12.15%	08-08-17
BD Govt. Treasury Bond	11.74%	05-12-17
BD Govt. Treasury Bond	11.74%	02-01-18
BD Govt. Treasury Bond	11.72%	06-02-18
BD Govt. Treasury Bond	11.72%	02-04-18
BD Govt. Treasury Bond	11.72%	07-05-18
BD Govt. Treasury Bond	11.72%	04-06-18
BD Govt. Treasury Bond	11.72%	02-07-18
BD Govt. Treasury Bond	11.72%	06-08-18
BD Govt. Treasury Bond	11.72%	03-09-18
BD Govt. Treasury Bond	11.72%	08-10-18
BD Govt. Treasury Bond	11.72%	04-02-19
BD Govt. Treasury Bond	11.72%	04-03-19
BD Govt. Treasury Bond	8.75%	03-02-20
BD Govt. Treasury Bond	8.77%	03-03-20
BD Govt. Treasury Bond	8.77%	07-04-20
BD Govt. Treasury Bond	8.79%	07-07-20
BD Govt. Treasury Bond	8.85%	06-10-20
BD Govt. Treasury Bond	12.22%	13-02-23
BD Govt. Treasury Bond	8.74%	10-02-25
BD Govt. Treasury Bond	8.75%	10-03-25
BD Govt. Treasury Bond	8.77%	15-04-25
BD Govt. Treasury Bond	8.80%	12-05-25
BD Govt. Treasury Bond	8.80%	09-06-25
BD Govt. Treasury Bond	8.85%	14-07-25
BD Govt. Treasury Bond	8.86%	11-08-25
BD Govt. Treasury Bond	8.92%	15-09-25
BD Govt. Treasury Bond	8.95%	13-10-25
BD Govt. Treasury Bond	9.11%	24-02-30
BD Govt. Treasury Bond	9.15%	24-03-30
BD Govt. Treasury Bond	9.17%	28-04-30
BD Govt. Treasury Bond	9.20%	29-07-30
BD Govt. Treasury Bond	9.23%	25-08-30
BD Govt. Treasury Bond	9.25%	29-09-30
BD Govt. Treasury Bond	9.25%	27-10-30

Amounts in Taka	
At 31 Dec 2010	At 31 Dec 2009
100,140,100	100,593,109
200,339,942	201,056,176
200,347,559	200,803,673
301,500,534	301,276,891
306,151,552	290,800,000
264,207,988	250,000,000
31,718,591	30,000,000
155,904,533	150,000,000
106,098,507	100,000,000
100,114,554	100,138,994
159,776,681	-
79,849,367	-
157,136,326	-
6,185,955	-
278,350,751	-
269,332,348	-
43,078,002	-
414,609,597	427,234,914
143,742,246	148,110,134
20,000,000	20,000,000
450,000,000	450,000,000
282,000,000	282,000,000
207,500,000	207,500,000
580,798,576	583,489,151
150,000,000	150,000,000
497,500,000	497,500,000
615,710,721	619,431,804
516,277,973	517,585,760
176,725,165	182,563,693
882,387,351	904,200,597
150,000,000	150,000,000
85,222,825	-
70,362,647	-
61,330,965	-
228,020,254	-
7,702,273	-
144,751,621	144,471,344
60,886,248	-
71,772,257	-
19,553,877	-
56,790,746	-
58,275,106	-
105,964,771	-
109,403,859	-
109,990,016	-
83,911,538	-
35,745,313	-
77,512,635	-
19,882,829	-
97,054,579	-
54,459,387	-
68,139,380	-
81,721,512	-
9,555,939,557	7,008,756,240

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

		Amounts in Taka	
		At 31 Dec 2010	At 31 Dec 2009
6.1(a) Consolidated Government securities			
AB Bank Limited	10,925,594,003	9,675,466,462	
AB Investment Limited	-	-	
AB International Finance Limited	-	-	
AB Securities Limited	-	-	
Cashlink Bangladesh Limited	-	-	
	10,925,594,003	9,675,466,462	
6.2 Other investments			
Shares	3,416,977,560	6,489,276,377	
Zero Coupon bond	4,436,472	12,648,018	
	3,421,414,032	6,501,924,395	
Investments -ABBL, Mumbai Branch			
Treasury bills	163,091,978	186,261,769	
Bonds	52,571,600	5,650,600	
	215,663,578	191,912,369	
Total Other investments	3,637,077,610	6,693,836,764	
6.2 (a) Consolidated other investments			
AB Bank Limited	3,637,077,610	6,693,836,764	
AB Investment Limited	241,876,552	-	
AB International Finance Limited	-	-	
AB Securities Limited	72,211,459	-	
Cashlink Bangladesh Limited	181,941,700	-	
	4,133,107,321	6,693,836,764	
<u>Less:</u> Inter- group transactions	10,161,757	-	
	4,122,945,564	6,693,836,764	
6.2.1 Investments in Shares			
Quoted (Publicly Traded)	2,591,272,762	6,347,876,377	
Unquoted	825,704,799	141,400,000	
	3,416,977,560	6,489,276,377	

Detailed are given in Annex - B.

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

Amounts in Taka	
At	At
31 Dec 2010	31 Dec 2009

6.3 Maturity grouping

Repayable – on demand

– upto 3 months

– over 3 months but below 1 year

– over 1 year but below 5 years

– over 5 years

1,631,471,569	2,170,889,206
963,482,654	1,874,202,385
2,838,737,985	5,285,382,925
2,332,097,889	1,724,668,843
6,796,881,517	5,314,159,867
14,562,671,613	16,369,303,226

6.4 Disclosure of uniform accounting procedures for REPO transactions under DOS circular no. 06 dated 15 July 2010 is given below:

a.(i) Disclosure regarding outstanding Repo as on 31 December:

Counter party name	Agreement Date	Reversal Date	Amount (1st leg cash consideration)
Bangladesh Bank (liquidity support)	30 December 2010	02 January 2011	2,519,777,835
Total			2,519,777,835

(ii) Disclosure regarding outstanding Reverse Repo as on 31 December:

Counter party name	Agreement Date	Reversal Date	Amount (1st leg cash consideration)
			-
None	N/A	N/A	N/A

b. Disclosure regarding overall transaction of Repo and Reverse repo:

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year
Securities sold under repo:			
i) with Bangladesh Bank	273,567,999	6,754,141,722	1,522,823,419
ii) with other banks & FIs	20,000,000	1,500,000,000	706,251,809
Securities purchased under reverse repo:			
i) from Bangladesh Bank	-	-	-
ii) from other banks & FIs	-	-	-

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

		Amounts in Taka	
		At 31 Dec 2010	At 31 Dec 2009
7. Loans and Advances			
7.1 Maturity grouping			
Repayable – on demand		13,485,188,891	7,743,428,372
– upto 3 months		16,938,572,990	12,825,435,523
– over 3 months but below 1 year		26,448,585,826	28,046,756,800
– over 1 year but below 5 years		27,170,000,000	19,424,963,800
– over 5 years		1,852,503,419	1,691,967,700
		85,894,851,126	69,732,552,194
7.2 Broad category-wise breakup			
In Bangladesh			
Loans		71,350,936,517	57,422,370,679
Overdrafts		14,174,434,222	12,033,737,445
Cash credits		-	-
		85,525,370,739	69,456,108,124
Outside Bangladesh: ABBL, Mumbai Branch			
Loans		310,283,132	227,204,006
Overdrafts		59,197,254	49,240,064
Cash credits		-	-
		369,480,386	276,444,070
		85,894,851,126	69,732,552,194
7.3 Significant concentration			
Advances to allied concerns of Directors		-	-
Advances to Chief Executive		9,328,234	11,276,722
Advances to industries		18,045,900,000	23,901,800,000
Advances to customer groups		67,839,622,892	45,819,475,472
		85,894,851,126	69,732,552,194
7.4 Advances to customers for more than 10% of Bank's total capital			
Total capital of the Bank		14,660,285,037	10,917,846,130
Number of clients		27	32
Amount of outstanding advances		33,680,900,000	26,407,700,000
Amount of classified advances		-	-
Measures taken for recovery		Not applicable	Not applicable
7.5 Industry-wise loans and advances			
Agriculture		2,159,300,000	1,067,129,000
Large and medium scale industry		15,497,100,000	11,528,200,000
Working capital		16,915,700,000	12,333,500,000
Export		1,505,300,000	2,448,900,000
Commercial lending		35,145,100,000	28,009,200,000
Small and cottage industry		96,900,000	40,100,000
Others		14,575,451,126	14,305,523,194
		85,894,851,126	69,732,552,194
7.6 Geographical location-wise (division) distribution			
In Bangladesh			
Urban Branches			
Dhaka		49,959,470,739	41,564,209,062
Chittagong		22,599,700,000	18,357,351,109
Khulna		2,375,300,000	1,891,188,223

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

		Amounts in Taka	
		At 31 Dec 2010	At 31 Dec 2009
Sylhet		1,201,500,000	1,361,508,300
Barisal		237,000,000	162,885,426
Rajshahi		3,870,300,000	2,631,058,698
		80,243,270,739	65,968,200,818
Rural Branches			
Dhaka		2,743,700,000	2,173,824,637
Chittagong		765,000,000	515,550,523
Khulna		1,207,900,000	329,502,210
Sylhet		565,500,000	469,029,936
Barisal		-	-
Rajshahi		-	-
		5,282,100,000	3,487,907,306
Outside Bangladesh			
ABBL, Mumbai Branch		369,480,387	276,444,070
		85,894,851,126	69,732,552,194
7.7 Classification of Loans and Advances			
<u>Unclassified</u>			
Standard		83,876,567,217	67,646,383,518
Special Mention Account		165,803,138	136,999,863
Total unclassified loans and advances		84,042,370,355	67,783,383,381
<u>Classified</u>			
Substandard		90,102,000	648,984,735
Doubtful		129,040,000	521,036,000
Bad/Loss		1,633,338,771	779,148,078
Total classified loans and advances		1,852,480,771	1,949,168,813
		85,894,851,126	69,732,552,194
7.8 Particulars of loans and advances			
(i) Loans considered good in respect of which the Bank is		83,376,899,416	54,260,513,247
(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		2,517,951,710	15,472,038,948
(iv) Loans adversely classified but provision not maintained		-	-
		85,894,851,126	69,732,552,194
(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)]		384,200,000	448,082,293
(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)]		384,200,000	448,082,293

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

Amounts in Taka		
	At 31 Dec 2010	At 31 Dec 2009
(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	90,800,000	-
(ix) Due from other banking companies	-	-
(x) Amount of classified loans on which interest has not been charged	-	-
(a) Increase/(decrease) of provision (specific)	453,900,000	(231,295,145)
(b) Amount of loan written off	-	633,098,000
(c) Amount realised against loan previously written off	57,376,000	101,523,000
(d) Provision kept against loans classified as bad /loss on the date of preparing the balance sheet	921,442,669	426,910,450
(e) Interest charged to interest suspense account	64,152,935	121,055,097
(xi) Written off loan		
During the year	-	633,098,000
Cumulative to-date (as per Bangladesh Bank	1,940,977,000	1,940,977,000
Cumulative to-date (in amicable settlement)	2,594,045,000	2,532,516,000
	4,535,022,000	4,473,493,000
Amount of written off loans for which lawsuits have been filed for its recovery	1,878,007,000	1,851,378,000

7.8 (a) This represents loans of Taka 374,871,766 due by the employees of the Bank and Taka 9,328,234 by the directors.

7.9 Securities wise loans and advances
Nature of security

Collateral of movable/immovable assets	71,027,477,393	36,345,736,580
Cash collateral	3,755,733,674	4,875,902,870
Banks and financial institutions guarantee	1,478,450,000	142,483,840
Personal guarantee	2,517,951,710	6,733,498,820
Corporate guarantee	5,122,724,791	7,519,898,680
Other securities	1,992,513,558	14,115,031,404
	85,894,851,126	69,732,552,194

7(a) Consolidated Loans, cash credits, overdrafts, etc

AB Bank Limited	85,894,851,126	69,732,552,194
AB Investment Limited	6,098,303,586	-
AB International Finance Limited	-	-
AB Securities Limited	916,673,257	-
Cashlink Bangladesh Limited	-	-
	92,909,827,970	69,732,552,194
<u>Less:</u> Inter-company transaction	217,150,601	-
	92,692,677,369	69,732,552,194

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

		Amounts in Taka	
		At 31 Dec 2010	At 31 Dec 2009
8. Bills purchased and discounted			
In Bangladesh		2,002,404,629	1,071,337,988
Outside Bangladesh - ABBL, Mumbai Branch		401,567,725	76,043,263
		2,403,972,354	1,147,381,251
8.1 Maturity grouping			
Repayable			
– within 1 month		480,794,471	229,476,250
– over 1 month but within 3 months		1,923,177,883	917,905,001
– over 3 months but within 6 months		-	-
– over 6 months		-	-
		2,403,972,354	1,147,381,251
8 (a) Consolidated bills purchased and discounted			
AB Bank Limited		2,403,972,354	1,147,381,251
AB Investment Limited		-	-
AB International Finance Limited		1,633,642,870	1,183,329,813
AB Securities Limited		-	-
Cashlink Bangladesh Limited		-	-
		4,037,615,224	2,330,711,064
9. Fixed assets including premises, furniture and fixtures			
Cost:			
Land		2,478,023,672	1,655,423,681
Building		824,402,746	234,661,764
Furniture and fixtures		164,348,577	137,187,620
Office appliances		59,254,541	57,101,776
Electrical appliances		748,140,810	592,715,898
Motor vehicles		352,005,840	316,447,139
		4,626,176,186	2,993,537,878
<u>Less: Accumulated depreciation</u>		699,835,517	552,575,221
		3,926,340,669	2,440,962,657
A schedule of fixed assets is given in <u>Annex C</u> .			
9(a) Consolidated Fixed assets including premises, furniture and fixtures			
Cost:			
AB Bank Limited		4,626,176,186	2,993,537,878
AB Investment Limited		9,371,848	-
AB International Finance Limited		11,329,894	11,449,495
AB Securities Limited		16,935,140	-
Cashlink Bangladesh Limited		231,261,478	-
		4,895,074,546	3,004,987,373
Accumulated depreciation:			
AB Bank Limited		699,835,517	552,575,221
AB Investment Limited		5,408,399	-
AB International Finance Limited		10,821,427	11,375,563
AB Securities Limited		1,377,385	-
Cashlink Bangladesh Limited		89,667,196	-
		807,109,925	563,950,785
		4,087,964,621	2,441,036,589

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

		Amounts in Taka	
		At 31 Dec 2010	At 31 Dec 2009
10. Other assets			
Income generating			
In Bangladesh:			
AB Investment Limited (99.99% owned subsidiary of ABBL)	99,798,000	-	
AB Securities Limited (99.99% owned subsidiary of ABBL)	34,898,000	-	
Cashlink Bangladesh Limited (CBL) (60% owned subsidiary of ABBL)	141,181,228	-	
Outside Bangladesh:			
AB International Finance Ltd, Hong Kong (wholly owned subsidiary of ABBL)	5,203,944	5,203,944	
	281,081,172	5,203,944	
Non-income generating			
Inter-branch adjustment	47,617,714	92,423,134	
Advance corporate income tax (note: 10.1)	2,777,631,680	3,158,776,307	
Arab Bangladesh Bank Foundation (99.60% owned subsidiary company of ABBL)	19,920,000	300,051,122	
Share money deposits - AB Investment Limited	4,900,100,000	-	
Share money deposits - AB Securities Limited	165,000,000	-	
Accounts receivable	1,254,062,447	998,581,954	
Preliminary, formation, organisational, renovation, development, prepaid and other expenses	1,602,621,326	1,804,905,746	
Exchange for clearing	1,206,498,387	870,737,423	
Interest accrued on investment but not collected, commission and brokerage receivable on shares and debentures, and other income receivables	452,179,482	367,047,393	
Security deposits	66,869,755	65,935,812	
Local drafts paid without advice	-	-	
Advance rent and advertisement	102,913,807	69,971,185	
Stationery, stamps, printing materials, etc	29,489,222	39,479,313	
	12,624,903,820	7,767,909,388	
	12,905,984,992	7,773,113,332	
10(a) Consolidated other assets			
AB Bank Limited	12,905,984,992	7,773,113,332	
AB Investment Limited	345,621,356	-	
AB International Finance Limited	1,598,118	2,241,304	
AB Securities Limited	407,855,275	-	
Cashlink Bangladesh Limited	62,919,592	-	
	13,723,979,333	7,775,354,636	
<u>Less:</u> Inter-company transaction	7,438,140,753	5,203,944	
	6,285,838,580	7,770,150,692	

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

		Amounts in Taka	
		At 31 Dec 2010	At 31 Dec 2009
10.1 Advance corporate income tax			
In Bangladesh:			
Balance at 01 January		3,002,572,849	1,689,914,412
<u>Add:</u> Paid during the year		1,811,456,160	1,280,647,393
<u>Add:</u> Tax withheld during the year		66,599,206	32,011,044
		1,878,055,366	1,312,658,437
<u>Less:</u> Settlement made during the year		2,332,003,811	-
Balance at 31 December		2,548,624,404	3,002,572,849
Advance tax paid by ABBL, Mumbai Branch		229,007,276	156,203,458
		2,777,631,680	3,158,776,307
11. Borrowings from other banks, financial institutions and agents			
In Bangladesh (note 11.1)		14,179,009,551	6,105,823,504
Outside Bangladesh (note 11.2)		21,426,930	19,337,836
		14,200,436,481	6,125,161,339
11.1 In Bangladesh			
<u>Bangladesh Bank refinance</u>			
ADB loan		-	26,332,604
Islamic investment bonds		3,201,903,741	1,007,043,594
SME and Women Entrepreneure		178,845,766	41,900,000
Off- shore banking business		1,345,880,044	-
		4,726,629,551	1,075,276,198
<u>Call and term borrowing from</u>			
Agrani Bank Ltd		-	400,000,000
Rupali Bank Ltd		650,000,000	500,000,000
Delta Brac Housing Ltd		540,000,000	-
BFIC		220,000,000	-
Habib Bank Ltd		50,000,000	-
Bangladesh Krishi Bank		-	1,000,000,000
IDLC Finance Ltd		370,000,000	-
United Leasing Company Ltd		80,000,000	-
State Bank of India		100,000,000	-
IIDFC		50,000,000	-
Bay Leasing Ltd		200,000,000	-
Pubali Bank Ltd		-	250,000,000
Uttara Bank Ltd		-	300,000,000
United Commercial Bank Ltd		150,000,000	1,000,000,000
BRAC Bank Ltd		-	100,000,000
Trust Bank Ltd		-	300,000,000
Reliance Finance Ltd		10,000,000	-
Dutch Bangla Bank Ltd		100,000,000	-
Standard Bank Ltd		-	380,000,000
The Premier Bank Ltd		200,000,000	-
People's Leasing Ltd		80,000,000	-
Bangladesh Shilpa Bank		-	200,000,000
Commercial Bank of Ceylon PLC		100,000,000	-

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

		Amounts in Taka	
		At 31 Dec 2010	At 31 Dec 2009
	Citibank NA	40,000,000	-
	National Bank Ltd	1,320,000,000	-
	Eastern Bank Ltd	150,000,000	-
	BASIC Ltd	200,000,000	-
	Bangladesh Commerce Bank Ltd	600,000,000	-
	Sonali Bank Ltd	1,500,000,000	-
	HSBC	310,000,000	-
	Janata Bank Ltd	400,000,000	600,000,000
	Bangladesh Development Bank Ltd	1,130,000,000	-
	IPDC	200,000,000	-
	ICB Islamic Bank Ltd	700,000,000	-
	Accrued interest	2,380,000	547,306
		9,452,380,000	5,030,547,306
		14,179,009,551	6,105,823,504
11.2	Outside Bangladesh		
	HSBC Karachi (USD)	-	1,485,567
	HSBC	21,426,930	17,852,269
		21,426,930	19,337,836
	Details are given in <u>Annex D</u>		
11.3	Analysis by security		
	Secured (assets pledge as security for liabilities)	-	-
	Unsecured	14,200,436,481	6,125,161,339
		14,200,436,481	6,125,161,339
11.4	Repayment pattern		
	Repayable on demand	9,473,806,930	5,049,885,141
	Repayable on maturity (note 11.4.1)	4,726,629,551	1,075,276,198
		14,200,436,481	6,125,161,339
11.4.1	Repayable on maturity		
	Bangladesh Bank refinance:		
	ADB loan	-	26,332,604
	SME and women entrepreneurs	178,845,766	41,900,000
	Off-shore banking business	1,345,880,044	-
		1,524,725,811	68,232,604
	Term borrowings:		
	Islamic investment bonds	3,201,903,741	1,007,043,594
		4,726,629,551	1,075,276,198
11(a)	Consolidated Borrowings from other banks, financial institutions and agents		
	AB Bank Limited	14,200,436,481	6,125,161,339
	AB Investment Limited	-	-
	AB International Finance Limited	1,446,717,462	1,011,963,306
	AB Securities Limited	-	-
	Cashlink Bangladesh Limited	217,150,601	-
		15,864,304,545	7,137,124,645
	<u>Less:</u> Inter-company transactions	1,663,868,063	1,000,837,339
		14,200,436,481	6,136,287,306

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

		Amounts in Taka	
		At 31 Dec 2010	At 31 Dec 2009
12. Deposit and other accounts			
Inter-bank deposits (note 12.1)		3,582,237,000	2,198,114,000
Other deposits (note 12.2)		92,119,657,525	80,889,015,113
		95,701,894,525	83,087,129,113
12(a) Consolidated deposit and other accounts			
AB Bank Limited		95,701,894,525	83,087,129,113
AB Investment Limited		-	-
AB International Finance Limited		-	-
AB Securities Limited		-	-
Cashlink Bangladesh Limited		-	-
		95,701,894,525	83,087,129,113
<u>Less:</u> Inter-group transaction		921,693,921	4,500,433
		94,780,200,604	83,082,628,680
12.1 Maturity analysis of inter-bank deposits			
Repayable		716,447,400	109,255,000
– on demand		-	-
– within 1 month		1,791,118,500	1,026,222,812
– over 1 month but within 3 months		501,513,180	341,145,678
– over 3 months but within 1 year		573,157,920	721,490,510
– over 1 year but within 5 years		-	-
– over 5 years but within 10 years		-	-
– over 10 years		-	-
		3,582,237,000	2,198,114,000
12.2 Maturity analysis of other deposits			
Repayable		-	-
– on demand		-	-
– within 1 month		14,833,066,863	9,148,576,139
– over 1 month but within 3 months		27,848,717,029	19,342,150,740
– over 3 months but within 1 year		23,677,653,133	31,096,620,205
– over 1 year but within 5 years		25,751,701,671	19,878,740,477
– over 5 years but within 10 years		8,518,829	1,422,927,552
– over 10 years		-	-
		92,119,657,525	80,889,015,113
13. Other liabilities			
Accumulated provision against loans and advances (note 13.1)		1,962,814,882	1,252,506,463
Accrued profit on investment - Islami banking branch		297,053,863	133,345,887
Provision for current tax (note 13.2)		4,656,958,029	4,254,236,613
Deferred tax liabilities (note 13.3)		88,446,565	129,739,689
Interest suspense account (note 13.4)		319,588,789	301,688,854
Retained revenue with ABBL, Mumbai Branch		-	-
Provision against other assets (note 13.5)		328,535,215	228,235,215
Provision for outstanding debit entries in NOSTRO accounts		200,000	200,000
Exchange equalisation account		-	47,966,966
Accounts payable - Bangladesh Bank		47,400,606	233,310,356
Accrued expenses		74,885,396	36,789,076
Provision for off-balance sheet items (note 13.6)		480,000,000	380,000,000
Provision against investments (note 13.7)		282,553,000	142,553,000
Others (*)		680,983,026	401,809,992
		9,219,419,370	7,542,382,113

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

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

		Amounts in Taka	
		At 31 Dec 2010	At 31 Dec 2009
13.1 Accumulated provision against loans and advances			
Movement in specific provision for bad and doubtful debts			
Balance at 01 January		415,014,450	654,359,957
Fully provided debts written off during the year		-	538,245,507
Recovery of amounts previously written off		-	-
Specific provision made for the year		485,500,000	291,000,000
Transfer from general provision		-	7,900,000
Recoveries and provision no longer required		-	-
Net charge to Profit and Loss Statement		-	-
		485,500,000	(239,345,507)
Balance at 31 December		900,514,450	415,014,450
Provision made by ABBL, Mumbai Branch		20,928,219	11,896,000
Total provision on classified loans and advances		921,442,669	426,910,450
On unclassified loans			
Balance at 01 January		795,806,015	658,106,015
Transfer from provision for other assets		-	-
Recoveries and provision no longer required		-	-
Transfer		-	7,900,000
General provision made for the year		214,500,000	145,600,000
		214,500,000	137,700,000
Balance at 31 December		1,010,306,015	795,806,015
Provision made by MBW		28,154,298	28,154,298
Provision made by ABBL, Mumbai Branch		2,911,900	1,635,700
Total provision on un-classified loans and advances		1,041,372,213	825,596,013
Total provision on loans and advances		1,962,814,882	1,252,506,463
<u>Provision for</u>	<u>Required</u>	<u>Maintained</u>	<u>Excess/(Shortage)</u>
Un-classified loans and advances	1,002,611,900	1,041,372,213	38,760,313
Classified loans and advances	902,328,219	921,442,669	19,114,450
	1,904,940,119	1,962,814,882	57,874,763
13.2 Provision for current tax			
Balance at 01 January		4,173,978,557	2,459,761,967
<u>Add:</u> Provision made during the year		2,596,280,781	1,714,216,590
<u>Less:</u> Adjustment during the year		2,332,003,811	-
Balance at 31 December		4,438,255,527	4,173,978,557
Provision for ABBL, Mumbai Branch		218,702,502	80,258,056
		4,656,958,029	4,254,236,613
Corporate income tax assessment of the Bank is completed up to the income year ended 31 December 2009 (assessment year 2009-2010). Tax assessments for the financial years 1995, 1996 and 1997 are completed but these were referred to the Hon'ble High Court on the application made by the Bank for some disputed points. Assessments for the financial years 2007 and 2008 have pending at appeal stage.			
13.3 Deferred tax liabilities			
Balance at 01 January		129,739,689	1,616,023
<u>Add:</u> Provision made during the year		-	128,123,666
<u>Less:</u> Adjustment during the year		41,293,124	-
Balance at 31 December		88,446,565	129,739,689
13.4 Interest suspense account			
Balance at 01 January		301,688,855	326,528,758
Transfer during the year		64,152,934	121,055,096
Recovery during the year		(46,253,000)	(52,720,000)
Write off during the year		-	(93,175,000)
Balance at 31 December		319,588,789	301,688,854

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

		Amounts in Taka	
		At 31 Dec 2010	At 31 Dec 2009
13.5 Provision against other assets			
Provision for:			
Prepaid legal expenses	49,700,000	49,700,000	
Protested bills	18,033,215	18,033,215	
Balance with BCCI, London	120,000	120,000	
London Representative Office	1,708,494	1,708,494	
Myanmar Representative Office	1,112,430	1,112,430	
Others	257,861,076	157,561,076	
	328,535,215	228,235,215	
Provision against other assets was made as per BRPD circular no.14 dated 25 June 2001 issued by Bangladesh Bank.			
13.6 Provision for off-balance sheet items			
Balance at 01 January	380,000,000	280,000,000	
<u>Add:</u> Provision made during the year	100,000,000	100,000,000	
<u>Less:</u> Adjustment made during the year	-	-	
Balance at 31 December	480,000,000	380,000,000	
13.7 Provision against investments			
Balance at 01 January	142,553,000	142,553,000	
<u>Add:</u> Provision made during the year	140,000,000	-	
<u>Less:</u> Adjustment made during the year	-	-	
Balance at 31 December	282,553,000	142,553,000	
13(a) Consolidated Other liabilities			
AB Bank Limited	9,219,419,370	7,542,382,112	
AB Investment Limited	1,225,243,045	-	
AB International Finance Limited	74,309,155	39,808,479	
AB Securities Limited	1,533,036,966	-	
Cashlink Bangladesh Limited	418,308,791	-	
	12,470,317,328	7,582,190,591	
<u>Less:</u> Inter-company transaction	1,597,700,766	-	
	10,872,616,563	7,582,190,591	
13(b) Non- controlling interest			
AB Investment Limited	674,265	-	
AB Securities Limited	827,043	-	
Cashlink Bangladesh Limited	2,246,000	-	
	3,747,308	-	
14. Share capital	3,205,316,500	2,564,253,200	
14.1 Authorised capital			
60,000,000 ordinary shares of Taka 100 each	6,000,000,000	6,000,000,000	
14.2 Issued, subscribed and paid-up capital			
1,500,000 ordinary shares of Taka 100 each issued for cash	150,000,000	150,000,000	
30,553,165 ordinary shares of Taka 100 each issued as bonus shares	3,055,316,500	2,414,253,200	
	3,205,316,500	2,564,253,200	

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010
14.3 Percentage of shareholding

Particulars	At 31 December 2010		At 31 December 2009	
	No. of shares	%	No. of shares	%
Sponsors and public	31,869,432	99.43	25,495,545	99.43
Government	183,733	0.57	146,987	0.57
	32,053,165	100.00	25,642,532	100.00

14.4 Classification of shareholders by holding

Holding	No. of shareholders		% of holding	
	2010	2009	2010	2009
Upto 500	89,603	53,803	96.82	95.93
501 to 5,000	2,595	1,980	2.80	3.53
5,001 to 10,000	162	123	0.18	0.22
10,001 to 20,000	80	68	0.09	0.12
20,001 to 30,000	25	28	0.03	0.05
30,001 to 40,000	18	21	0.02	0.04
40,001 to 50,000	12	10	0.01	0.02
50,001 to 100,000	18	22	0.02	0.04
100,001 to 1,000,000	29	25	0.03	0.04
Over 1,000,000	5	3	0.01	0.01
	92,547	56,083	100.00	100.00

14.5 Names of the Directors and their shareholding as at 31 December 2010

Name of the Director	Status	No. of shares	
		At 31 Dec 2010	At 31 Dec 2009
Mr. M. Wahidul Haque	Chairman	6,936	5,550
Mr. Salim Ahmed	Vice-Chairman	757,108	605,687
Mr. Feroz Ahmed	Director	665,062	532,050
Mr. M. A. Awal	Director	201	161
Mr. Shishir Ranjan Bose, FCA	Independent Director	143	115
Mr. Faheemul Huq, Barrister -at- Law	Director	27,502	115
Mr. Syed Afzal Hasan Uddin, Barrister -at- Law	Director	143	115
Mr. Mishaal Kabir	Director	143	115
Mr. Md. Mesbahul Hoque	Director	143	115
Mr. Md. Anwar Jamil Siddiqui	Director	143	115
Mr. B. B. Saha Roy	Director	125	100
Dr. M. Imtiaz Hossain	Depositor Director	-	-
Mrs. Runa Zakia Shahrood Khan	Depositor Director	-	-
Mr. Kaiser A. Chowdhury	Ex-officio	-	-

14.6 Capital adequacy ratio - As per BASEL II
Consolidated - Capital Adequacy Ratio

In terms of section 13(2) of Banking Companies Act 1991 and Bangladesh Bank BRPD circulars no. 35 dated 31 December, 2010, required capital of the Bank on consolidated basis at the close of business on 31 December 2010 is Taka 13,506,016,154 as against available core capital of Taka 12,695,433,881 and supplementary capital of Taka 2,316,951,830 that is, a total of Taka 15,012,385,711 thereby showing surplus capital/equity of Taka 1,506,369,557 at that date. Details are shown below:

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

	Amounts in Taka	
	At 31 Dec 2010	At 31 Dec 2009
Core capital (Tier I)		
Fully paid-up capital/capital deposited with Bangladesh Bank (BB)	3,205,316,500	-
Statutory reserve	4,395,603,869	-
Non-repayable share premium account	-	-
General reserve	110,939,676	-
Retained earnings	4,979,826,528	-
Minority interest in subsidiaries	3,747,308	-
Non-cumulative irredeemable preferences shares	-	-
Dividend equalisation account	-	-
	12,695,433,881	-
Deductions from Tier I (Core Capital) :		
Book value of goodwill	-	-
Shortfall in provisions required against classified assets	-	-
Shortfall in provisions required against investment in shares	-	-
Remaining deficit on account of revaluation of investments in securities after netting off from any other surplus on the securities.	-	-
Reciprocal crossholdings of bank capital/subordinated debt	-	-
Any investment exceeding the approved limit under section 26(2) of Banking Companies Act 1991	-	-
Investments in subsidiaries which are not consolidated	-	-
Others, if any	-	-
	-	-
Total Eligible Tier I Capital	12,695,433,881	-
Supplementary capital (Tier II)		
General provision for unclassified loans	1,107,413,260	-
General provision for off-balance Sheet exposure	480,000,000	-
Assets revaluation reserves up to 50%	722,621,815	-
Revaluation reserves of securities (upto 50%)	6,916,754	-
Revaluation reserve for equity instruments up to 10%	-	-
All other preference shares	-	-
Balance of exchange equalisation fund	-	-
Perpetual subordinated debt	-	-
Sub total	2,316,951,830	-
Deductions, if any	-	-
Total Eligible Tier II Capital	2,316,951,830	-
Capital eligible for market risk (Tier III)	-	-
Short-term subordinated debt	-	-
A. Total Eligible Capital	15,012,385,711	-
Total assets including off-balance Sheet items	178,488,761,364	-
Total risk-weighted assets (RWA)	150,066,846,155	-
B. Total required capital (9% of Total RWA)	13,506,016,154	-
Capital Surplus / (Shortfall) [A-B]	1,506,369,557	-
Capital adequacy ratio	10.00%	-

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

Amounts in Taka

At	At
31 Dec 2010	31 Dec 2009

For the Bank - Capital Adequacy Ratio

In terms of section 13(2) of Banking Companies Act 1991 and Bangladesh Bank BRPD circulars no. 35 dated 31 December 2010, required capital of the Bank on solo basis at the close of business on 31 December 2010 is Taka 13,315,377,047 as against available core capital of Taka 12,411,317,431 and supplementary capital of Taka 2,248,967,605 that is, a total of Taka 14,660,285,036 thereby showing surplus capital/equity of Taka 1,344,907,990 at that date. Details are shown below:

Core capital (Tier I)

Fully paid-up capital/capital deposited with BB	3,205,316,500	2,564,253,200
Statutory reserve	4,395,603,869	3,101,206,092
Non-repayable share premium account	-	-
General reserve	42,199,200	42,199,200
Retained earnings	4,768,197,862	3,541,969,135
Minority interest in subsidiaries	-	-
Non-cumulative irredeemable preferences shares	-	-
Dividend equalisation account	-	-
	12,411,317,431	9,249,627,627

Deductions from Tier-I (Core Capital)

Book value of goodwill	-	-
Shortfall in provisions required against classified assets	-	-
Shortfall in provisions required against investment in shares	-	-
Remaining deficit on account of revaluation of investments in securities after netting off from any other surplus on the securities	-	-
Reciprocal crossholdings of bank capital/subordinated debt	-	-
Any investment exceeding the approved limit under section 26(2) of Banking Companies Act 1991	-	-
Investments in subsidiaries which are not consolidated	-	-
Others, if any	-	-
	-	-
	12,411,317,431	9,249,627,627

Total Eligible Tier-I Capital
Supplementary capital (Tier II)

General provision for unclassified loans	1,041,372,213	825,596,013
General provision for off-balance sheet exposure	480,000,000	380,000,000
Assets revaluation reserves up to 50%	720,678,638	284,062,876
Revaluation reserves of securities (upto 50%)	6,916,754	130,592,648
Revaluation reserve for equity instruments up to 10%	-	-
All other preference shares	-	-
Balance of exchange equalisation fund	-	47,966,966
Perpetual subordinated debt	-	-
Sub total	2,248,967,605	1,668,218,503
Deductions if any	-	-
Total Eligible Tier-II Capital	2,248,967,605	1,668,218,503

Capital eligible for market risk (Tier-III)

Short-term subordinated debt	-	-
	-	-

A. Total Eligible Capital

Total assets including off-balance sheet items	177,473,141,643	136,088,577,701
Total risk-weighted assets (RWA)	147,948,633,851	98,459,637,700

B. Total required capital (9% of Total RWA, 10% in 2009)

Capital Surplus / (Shortfall) [A-B]	1,344,907,990	1,071,882,360
Capital adequacy ratio	9.91%	11.09%

Detailed of Risk Weighted Assets and Pillar III disclosure under Basel II are given in [Annex E](#).

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

		Amounts in Taka	
		At 31 Dec 2010	At 31 Dec 2009
15. Statutory reserve			
In Bangladesh			
Opening balance		2,987,427,246	1,971,945,858
<u>Add:</u> Addition during the year		1,242,807,255	1,015,481,388
Closing balance		4,230,234,501	2,987,427,246
Outside Bangladesh - ABBL, Mumbai Branch			
Opening balance		113,778,846	94,175,400
<u>Add:</u> during the year		43,757,216	15,636,846
<u>Less:</u> Foreign exchange rate fluctuation		7,833,306	3,966,600
Closing balance		165,369,368	113,778,846
	-	4,395,603,869	3,101,206,092
16. Other reserve			
General reserve (note 16.1)		42,199,200	42,199,200
Assets revaluation reserve (note 16.2)		1,338,065,823	568,125,753
Investment revaluation reserve (note 16.3)		13,833,508	268,769,552
Foreign exchange revaluation for investment in foreign operation		103,291,453	71,116,886
		1,497,389,984	950,211,391
16.1 General reserve			
Opening balance		42,199,200	42,199,200
<u>Add:</u> Addition during the year		-	-
Closing balance		42,199,200	42,199,200
16.2 Assets revaluation reserve			
Opening balance		568,125,753	585,011,810
<u>Add:</u> Addition during the year		769,940,070	-
<u>Less:</u> Adjustment made during the year		-	16,886,057
Closing balance		1,338,065,823	568,125,753
16.3 Investment revaluation reserve (treasury bills and treasury bonds)			
In Bangladesh			
Revaluation Reserve for:			
Held to Maturity (HTM) (note 16.3.1)		-	6,027,153
Held for Trading (HFT) (note 16.3.2)		3,050,034	255,158,143
		3,050,034	261,185,296
Outside Bangladesh			
ABBL, Mumbai branch		10,783,474	7,584,256
		13,833,508	268,769,552
16.3.1 Revaluation reserve for held to maturity (HTM)			
Opening balance		6,027,153	895,731
<u>Add:</u> Addition during the year		-	6,027,153
		6,027,153	6,922,884
<u>Less:</u> Adjustment made during the year		6,027,153	895,731
		-	6,027,153
16.3.2 Revaluation reserve for held for trading (HFT)			
Opening balance		255,158,143	1,444,784
<u>Add:</u> Addition during the year		16,918,405	255,158,143
		272,076,548	256,602,927
<u>Less:</u> Adjustment during the year		269,026,514	1,444,784
		3,050,034	255,158,143

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

Interest income of HTM and HFT securities transferred to revaluation reserve account as per Bangladesh Bank DOS circular no. 05 dated 26 May 2008 of which 50% of revaluation reserve for HTM will be treated as supplementary capital.

		Amounts in Taka	
		At 31 Dec 2010	At 31 Dec 2009
16(a) Consolidated Other reserve			
AB Bank Limited	1,497,389,984	950,211,391	
AB Investment Limited	-	-	
AB International Finance Limited	68,740,476	36,699,556	
AB Securities Limited	-	-	
Cashlink Bangladesh Limited	-	-	
	1,566,130,459	986,910,947	
17. Retained earnings			
Opening balance	3,541,969,135	1,879,466,978	
<u>Add:</u> Post-tax profit for the year	3,696,017,104	3,362,556,000	
<u>Less:</u> Transfer to statutory reserve	1,264,995,146	1,031,118,233	
Cash dividend	512,850,640	334,467,810	
Bonus shares issued	641,063,300	334,467,800	
	4,819,077,153	3,541,969,135	
<u>Less:</u> Retained earnings adjustment of Mumbai Branch	53,248,526	-	
<u>Less:</u> Statutory reserve for Mumbai Branch	-	-	
<u>Add:</u> Foreign exchange translation gain	2,369,235	-	
	4,768,197,863	3,541,969,135	
17(a) Consolidated retained earnings			
AB Bank Limited	4,768,197,863	3,541,969,135	
AB Investment Limited	560,482,937	-	
AB International Finance Limited	43,182,590	97,349,416	
AB Securities Limited	248,789,324	-	
Cashlink Bangladesh Limited	(232,931,930)	-	
	5,387,720,783	3,639,318,551	
<u>Less:</u> Inter-company transactions	500,534,215	-	
<u>Less:</u> Non-controlling interest	(91,875,464)	-	
	4,979,062,032	3,639,318,551	
<u>Add:</u> Foreign currency translation gains	764,496	211,816	
	4,979,826,528	3,639,530,367	
18. Contingent liabilities	44,484,883,051	28,995,570,517	
18.1 Letters of guarantee			
Money for which the Bank is in contingently liable in respect of guarantees issued favouring:			
Directors	-	-	
Government	-	-	
Banks and other financial institutions	-	-	
Others	8,210,194,977	5,592,203,569	
	8,210,194,977	5,592,203,569	

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010
Profit and Loss Statement
19. Profit and loss statement

Income

Interest, discount and similar income
Dividend income
Fee, commission and brokerage
Gains less losses arising from investment securities
Gains less losses arising from dealing in foreign currencies
Other operating income
Gains less losses arising from dealing securities
Income from non-banking assets
Profit less losses on interest rate changes

Amounts in Taka

Year ended 31 Dec 2010	Year ended 31 Dec 2009
---------------------------	---------------------------

10,832,116,746	9,989,268,472
606,468,734	122,671,920
1,483,336,968	1,781,781,510
3,268,488,614	1,774,426,855
634,457,597	484,343,634
238,780,449	170,873,499
193,126,850	84,339,185
-	-
-	-
17,256,775,959	14,407,705,074

Expenses

Interest, fee and commission
Administrative expenses
Other operating expenses
Depreciation on banking assets
Losses on loans and advances

6,358,862,124	6,139,114,500
2,383,480,432	1,694,996,344
908,655,601	612,306,895
196,465,013	158,891,082
-	-
9,847,463,171	8,605,308,821
7,409,312,788	5,802,396,254

20. Interest income

Interest on loans and advances

Loans and advances
Bills purchased and discounted

9,387,789,209	8,761,019,838
243,788,967	76,617,850
9,631,578,176	8,837,637,688

Interest on

Calls and placements
Balance with foreign banks
Reverse Repo
Balance with Bangladesh Bank

199,048,683	189,352,034
8,594,093	9,464,660
-	9,066,040
1,056,243	1,648,786
208,699,018	209,531,520

Profit/(Loss) due to change in interest rate

-	-
9,840,277,194	9,047,169,208

20(a) Consolidated interest income

AB Bank Limited
AB International Finance Limited
AB Investment Limited
AB Securities Limited
Cashlink Bangladesh Limited

9,840,277,194	9,047,169,208
79,750,216	64,205,688
713,088,376	-
65,185,961	-
18,558,414	-
10,716,860,160	9,111,374,896

21. Interest paid on deposits, borrowings, etc

Interest on deposits

Fixed deposits
Savings deposits
Special notice deposits
Other deposits

3,566,632,104	4,376,449,610
487,688,117	475,581,926
806,892,797	529,402,992
577,345,169	511,047,233
5,438,558,187	5,892,481,761

Interest on borrowings

Local banks, financial institutions including Bangladesh Bank

920,303,937	246,632,739
6,358,862,124	6,139,114,500

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

		Amounts in Taka	
		Year ended 31 Dec 2010	Year ended 31 Dec 2009
21(a) Consolidated interest paid on deposits, borrowings, etc			
AB Bank Limited	6,358,862,124	6,139,114,500	
AB Investment Limited	218,029,319	-	
AB International Finance Limited	8,813,578	7,893,206	
AB Securities Limited	17,811,568	-	
Cashlink Bangladesh Limited	28,406,349	-	
	6,631,922,938	6,147,007,706	
22. Investment income			
Capital gains on sale of shares	3,268,488,614	1,774,426,855	
Interest on treasury bills	110,346,179	176,030,690	
Dividend on shares	606,468,734	122,671,920	
Interest on debentures	2,887,500	2,165,625	
Interest on treasury bonds	872,465,307	763,846,054	
Loss on treasury bills and treasury bonds	193,126,850	84,339,185	
Interest on other bonds and others	6,140,567	56,897	
	5,059,923,750	2,923,537,225	
22(a) Consolidated investment income			
AB Bank Limited	5,059,923,750	2,923,537,225	
AB Investment Limited	40,382	-	
AB International Finance Limited	-	-	
AB Securities Limited	146,330,682	-	
Cashlink Bangladesh Limited	162,757	-	
	5,206,457,571	2,923,537,225	
<u>Less: Inter-company transactions (*)</u>	<u>500,534,215</u>	<u>-</u>	
	4,705,923,356	2,923,537,226	
(*) Inter-company transactions includes dividend income from AB Investment Limited, AB Securities Limited and AB International Finance Limited.			
23. Commission, exchange and brokerage			
Other fees, commission and service charges	798,726,693	1,241,544,525	
Commission on letters of credit	560,402,646	438,774,597	
Commission on letters of guarantee	124,207,629	101,462,389	
Exchange gains less losses arising from dealings in foreign currencies	634,457,597	484,343,634	
	2,117,794,565	2,266,125,144	
23(a) Consolidated commission, exchange and brokerage			
AB Bank Limited	2,117,794,565	2,266,125,144	
AB Investment Limited	576,707,272	-	
AB International Finance Limited	27,347,254	16,607,333	
AB Securities Limited	139,161,772	-	
Cashlink Bangladesh Limited	18,494,834	-	
	2,879,505,698	2,282,732,478	
24. Other income			
Locker rent, insurance claim and others	12,129,074	10,661,893	
Recoveries on loans previously written off	57,140,445	43,203,720	
Profit remitted by ABBL, Mumbai Branch	-	-	
Recoveries on telex, telephone, fax, etc	63,627,537	41,580,158	
Recoveries on courier, postage, stamp, etc	24,589,356	26,710,359	
Finance charge from ABBF	23,943,428	48,283,709	
Non-operating income (*)	57,350,609	433,660	
	238,780,449	170,873,499	

(*) Non-operating income includes sale of vehicles, old tyres, tubes, newspapers, furniture, fixtures, etc.

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

		Amounts in Taka	
		Year ended 31 Dec 2010	Year ended 31 Dec 2009
24(a) Consolidated other income			
AB Bank Limited	238,780,449	170,873,499	
AB Investment Limited	22,641,987	-	
AB International Finance Limited	18,829,194	32,766,651	
AB Securities Limited	10,668,019	-	
Cashlink Bangladesh Limited	43,390,352	-	
	334,310,001	203,640,150	
25. Salary and allowances			
Basic salary, provident fund contribution and all other allowances	1,515,340,777	1,052,374,231	
Festival and incentive bonus	287,582,796	146,857,358	
	1,802,923,573	1,199,231,589	
25(a) Consolidated salary and allowances			
AB Bank Limited	1,802,923,573	1,199,231,589	
AB Investment Limited	8,760,396	-	
AB International Finance Limited	20,436,931	19,136,478	
AB Securities Limited	7,630,640	-	
Cashlink Bangladesh Limited	14,326,955	-	
	1,854,078,494	1,218,368,067	
26. Rent, taxes, insurance, electricity, etc			
Rent, rates and taxes	173,540,451	145,689,190	
Electricity, gas, water, etc	40,199,397	36,790,772	
Insurance	56,924,030	47,433,496	
	270,663,877	229,913,458	
26(a) Consolidated rent, taxes, insurance, electricity, etc			
AB Bank Limited	270,663,877	229,913,458	
AB Investment Limited	2,016,198	-	
AB International Finance Limited	11,831,864	10,831,815	
AB Securities Limited	1,005,807	-	
Cashlink Bangladesh Limited	9,525,550	-	
	295,043,296	240,745,273	
27. Legal expenses			
	12,922,182	3,960,205	
27(a) Consolidated legal expenses			
AB Bank Limited	12,922,182	3,960,205	
AB Investment Limited	100,000	-	
AB International Finance Limited	297,615	89,287	
AB Securities Limited	292,000	-	
Cashlink Bangladesh Limited	493,750	-	
	14,105,546	4,049,492	
28. Postage, stamp, telecommunication, etc			
Telex, fax, internet, wireless link, SWIFT, etc	66,313,988	54,398,476	
Telephone	12,036,342	13,586,559	
Postage, stamp and shipping	23,389,201	16,392,493	
	101,739,532	84,377,528	
28(a) Consolidated postage, stamp, telecommunication, etc			
AB Bank Limited	101,739,532	84,377,528	
AB Investment Limited	208,229	-	
AB International Finance Limited	6,598,588	5,639,731	
AB Securities Limited	763,404	-	
Cashlink Bangladesh Limited	911,111	-	
	110,220,864	90,017,259	

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

		Amounts in Taka	
		Year ended 31 Dec 2010	Year ended 31 Dec 2009
29. Stationery, printing, advertisements, etc			
Printing and stationery	87,238,659	68,088,481	
Publicity, advertisement, etc	52,009,845	52,474,898	
	139,248,504	120,563,379	
29(a) Consolidated stationery, printing, advertisements, etc			
AB Bank Limited	139,248,504	120,563,379	
AB Investment Limited	1,833,363	-	
AB International Finance Limited	309,983	313,874	
AB Securities Limited	1,030,524	-	
Cashlink Bangladesh Limited	501,810	-	
	142,924,185	120,877,253	
30. Directors' fees			
Directors' fees	1,418,350	1,031,588	
Meeting expenses	637,735	1,342,904	
	2,056,085	2,374,492	
Directors' fees include fees for attending the board meetings of Executive Committee, Audit Committee and Shariah Council. Each director was remunerated @ Taka 4,000 per meeting.			
30(a) Consolidated directors' fees			
AB Bank Limited	2,056,085	2,374,492	
AB Investment Limited	115,000	-	
AB International Finance Limited	-	-	
AB Securities Limited	123,500	-	
Cashlink Bangladesh Limited	37,500	-	
	2,332,085	2,374,492	
31. Auditors' fees			
Statutory (including Taka 737,625 paid to overseas auditors for Mumbai Branch)	1,324,125	706,000	
Merchant Banking Wing	-	419,800	
Others	374,747	1,084,162	
	1,698,872	2,209,962	
31(a) Consolidated auditors' fees			
AB Bank Limited	1,698,872	2,209,962	
AB Investment Limited	108,775	-	
AB International Finance Limited	251,303	186,850	
AB Securities Limited	116,667	-	
Cashlink Bangladesh Limited	100,000	-	
	2,275,617	2,396,812	
32. Depreciation and repairs of Bank's assets			
Depreciation			
Electrical appliances	108,370,220	85,698,934	
Leasehold assets	-	565,427	
Furniture and fixtures	10,603,573	9,974,847	
Office appliances	4,149,446	3,698,923	
Building	11,780,780	5,366,039	
Motor vehicles	61,560,994	53,586,912	
	196,465,013	158,891,082	

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

		Amounts in Taka	
		Year ended 31 Dec 2010	Year ended 31 Dec 2009
Repairs			
Motor vehicles		12,091,601	12,351,236
Electrical appliances		14,198,862	16,253,216
Office premises and others		12,277,422	11,274,327
Furniture and fixtures		1,036,753	1,001,898
Office appliances		2,865,448	3,000,092
		42,470,086	43,880,771
		238,935,099	202,771,853
32(a) Consolidated depreciation and repairs of Bank's assets			
AB Bank Limited		238,935,099	202,771,853
AB Investment Limited		1,060,798	-
AB International Finance Limited		378,541	657,520
AB Securities Limited		1,499,621	-
Cashlink Bangladesh Limited		48,848,810	-
		290,722,869	203,429,371
33. Other expenses			
Contractual service		117,403,808	86,598,628
Amortisation of deferred revenue expenses		187,150,848	76,508,006
Petrol, oil and lubricant		50,054,803	43,916,167
Software expenses		106,602,028	60,356,716
Entertainment		33,509,106	29,365,468
Travelling		53,578,587	23,192,091
Subscription, membership and sponsorship		40,861,877	15,495,988
Training, seminar and workshop		22,853,638	8,590,967
Local conveyance		6,234,705	5,367,946
Professional charges		12,013,093	17,204,663
Books, newspapers and periodicals		1,269,055	1,781,071
Branch opening expenses		495,695	988,551
Bank Charges		7,013,873	7,681,136
Sundry expenses (*)		269,614,484	235,259,497
		908,655,601	612,306,895
(*) Sundry expenses include corporate expenses, business promotion, expenses of managers' conferences, annual general meeting, loss on sale of assets, non-operating expenses and other expenses.			
33(a) Consolidated other expenses			
AB Bank Limited		908,655,601	612,306,895
AB Investment Limited		68,618,678	-
AB International Finance Limited		3,915,234	1,601,553
AB Securities Limited		15,510,366	-
Cashlink Bangladesh Limited		53,703,843	-
		1,050,403,723	613,908,448
34. Provision against loans and advances			
On un-classified loans		215,645,813	145,600,000
On classified loans		493,591,270	291,000,000
		709,237,082	436,600,000
34(a) Consolidated provision against loans and advances			
AB Bank Limited		709,237,082	436,600,000
AB Investment Limited		66,041,047	-
AB International Finance Limited		-	-
AB Securities Limited		-	-
Cashlink Bangladesh Limited		-	-
		775,278,129	436,600,000

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

		Amounts in Taka	
		Year ended 31 Dec 2010	Year ended 31 Dec 2009
35. Provisions for diminution in value of investments			
In quoted shares		142,674,519	-
35(a) Consolidated Provisions for diminution in value of investments			
AB Bank Limited		142,674,519	-
AB Investment Limited		5,743,054	-
AB International Finance Limited		-	-
AB Securities Limited		-	-
Cashlink Bangladesh Limited		-	-
		148,417,573	-
36. Other provisions			
Provision for off balance sheet items		100,000,000	100,000,000
Provision for outstanding debit entries in NOSTRO accounts		-	-
Provision for other assets		100,000,000	60,900,000
		200,000,000	160,900,000
Provision for prepaid legal expenses and protested bills has been made as per Bangladesh Bank BRPD circular no. 14 dated 25 June 2001.			
36(a) Consolidated other provisions			
AB Bank Limited		200,000,000	160,900,000
AB Investment Limited		-	-
AB International Finance Limited		-	1,519,861
AB Securities Limited		-	-
Cashlink Bangladesh Limited		-	-
		200,000,000	162,419,861
37. Appropriations			
Retained earnings - brought forward		3,541,969,135	1,789,769,440
<u>Add:</u> Post-tax profit for the year		3,696,017,104	3,362,556,000
		7,237,986,239	5,152,325,440
<u>Less:</u> Dividends for 2009			
Cash dividend		512,850,640	334,467,810
Bonus shares		641,063,300	334,467,800
Profit available for distribution		6,084,072,299	4,483,389,830
Transferred to			
Statutory reserve		1,264,995,146	1,031,118,234
Proposed dividend		-	-
		1,264,995,146	1,031,118,234
Retained earnings		4,819,077,153	3,452,271,596
<u>Add:</u> Mumbai Branch Retained earnings -brought forward		-	89,697,538
<u>Less:</u> Adjustment during the year		53,248,524	-
<u>Add:</u> Foreign Exchange translation gain		2,369,235	-
		4,768,197,864	3,541,969,135
38. Earnings per share			
Profit after taxation		3,696,017,104	3,362,556,000
Number of ordinary shares outstanding		32,053,165	32,053,165
Earnings per share		115.31	104.91
38(a) Consolidated earnings per share			
Consolidated Profit after taxation		3,989,519,974	3,417,185,114
Number of ordinary shares outstanding		32,053,165	32,053,165
Earnings per share		124.47	106.61

AB Bank Limited
Notes to financial statements for the year ended 31 December 2010

		Amounts in Taka	
		Year ended 31 Dec 2010	Year ended 31 Dec 2009
Earnings per share (EPS) has been computed by dividing the basic earnings by the number of ordinary shares outstanding as of 31 December 2010 in terms of Bangladesh Accounting Standard (BAS 33). Accordingly to BAS 33, EPS for the year 2009 was restated for the issues of bonus share in 2010.			
39. Receipts from other operating activities			
Interest on treasury bills, bonds, debenture and others	4,453,455,017	2,800,865,305	
Exchange gains less losses arising from dealings in foreign currencies	634,457,597	484,343,634	
Recoveries on telex, telephone, fax, etc	63,627,537	41,580,158	
Recoveries on courier, postage, stamp, etc	24,589,356	26,710,359	
Finance charge from ABBF	23,943,428	48,283,709	
Non-operating income	57,350,609	433,660	
Others	12,129,074	10,661,893	
	5,269,552,617	3,412,878,717	
40. Payments for other operating activities			
Other expenses	848,655,601	612,306,896	
Rent, taxes, insurance, electricity, etc	270,663,877	229,913,457	
Postage, stamps, telecommunication, etc	101,739,532	84,377,528	
Repairs of Bank's assets	42,470,086	43,880,769	
Legal expenses	12,922,182	3,960,205	
Directors' fees	2,056,085	2,374,492	
	1,278,507,363	976,813,347	
41. Increase/decrease in other assets			
Inter-branch adjustment	47,617,714	92,423,134	
Arab Bangladesh Bank Foundation	19,920,000	300,051,122	
Preliminary, formation, organisational, renovation, development and prepaid expenses	1,602,621,326	1,804,905,746	
Exchange for clearing	1,206,498,387	870,737,423	
Accounts receivable	1,254,338,232	998,581,954	
Interest accrued on investment but not collected, commission and brokerage receivable on shares and debentures, and other income receivables	452,179,482	367,047,393	
Security deposits	66,869,755	65,935,812	
Advance rent and advertisement	102,913,807	69,971,185	
Stationery, stamps, printing materials, etc	29,489,222	39,479,313	
Investment in AB International Finance Ltd, Hong Kong	5,203,944	5,203,944	
	4,787,651,870	4,614,337,026	
Net Increase	173,314,844	1,467,798,151	
42. Increase/decrease in other liabilities			
Accumulated provision against loans and advances	1,962,814,882	1,252,506,463	
Provision for current tax	4,656,958,029	4,254,236,613	
Deferred tax liabilities	88,446,565	129,739,689	
Interest suspense account	319,588,789	301,688,854	
Accounts payable - Bangladesh Bank	47,400,606	233,310,356	
Exchange equalization account	-	47,966,966	
Provision against other assets	328,535,215	228,235,215	
Accrued expenses	74,885,396	36,789,076	
Provision against investments	282,553,000	142,553,000	
Provision against off balance sheet items	480,000,000	380,000,000	
Accrued profit on investment - Islami banking branch	297,053,863	133,345,887	
Provision for outstanding debit entries in NOSTRO accounts	200,000	200,000	
Others	680,983,026	401,809,992	
	9,219,419,371	7,542,382,112	
Less: Adjustment for provision and Others	7,073,148,444	5,769,086,729	
	2,146,270,927	1,773,295,383	
Net Increase	372,975,544	810,521,605	

AB Bank Limited**Notes to financial statements for the year ended 31 December 2010****43. Highlights of the overall activities of the Bank**

Sl no.	Particulars	Amounts in Taka	
		Year ended 31 Dec 2010	Year ended 31 Dec 2009
1	Paid-up capital	3,205,316,500	2,564,253,200
2	Total capital	14,660,285,036	10,917,846,130
3	Capital surplus	1,344,907,990	1,071,882,360
4	Total assets	#####	106,912,312,384
5	Total deposits	95,701,894,525	83,087,129,113
6	Total loans and advances	88,298,823,481	70,879,933,446
7	Total contingent liabilities and commitments	44,484,883,051	28,995,570,517
8	Credit-deposit ratio	92.26	85.31
9	Ratio of classified loans against total loans and advances	2.10	2.75
10	Profit after tax and provision	3,696,017,104	3,362,556,000
11	Loans classified during the year	412,100,000	1,358,700,000
12	Provision kept against classified loans	921,442,669	426,910,450
13	Provision surplus/ (deficit)	57,874,763	88,906,463
14	Cost of fund	9.89%	10.31%
15	Interest earning assets	#####	86,768,271,940
16	Non-interest earning assets	22,535,489,260	20,144,040,444
17	Return on investments (ROI)	32.72%	21.06%
18	Return on assets (ROA)	3.08%	3.52%
19	Income from investments	5,059,923,750	2,923,537,225
20	Earnings per share	115.31	104.91
21	Net income per share	115.31	104.91
21	Price-earnings ratio (times)	13.71	11.22

for AB Bank Limited

- Sd -Shishir Ranjan Bose, FCA
Director**- Sd -**B.B. Saha Roy
Director**- Sd -**Kaiser A. Chowdhury
Managing Director**- Sd -**M. Wahidul Haque
Chairman

Dhaka, Bangladesh

Dated, 07 May 2011

AB Bank Limited
Balance with other banks outside Bangladesh
Annex A

Name of the bank	Location	Name of currency	As at 31 December 2010			As at 31 December 2009		
			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	2,592,706	0.87	2,246,061	35,433,518	0.75	26,663,723
HSBC Plc	London	UKP	53,174	109.67	5,831,509	186,723	110.11	20,560,658
Lloyds TSB Bank Plc	London	UKP	Closed		-	34,814	110.11	3,833,487
HSBC	Mumbai	ACUD	173,006	70.75	12,240,094	173,006	69.27	11,983,527
JP Morgan Chase Bank	New York	USD	1,131,934	70.75	80,083,990	242,984	69.27	16,830,732
Sonali Bank	Kolkata	ACUD	42,967	70.75	3,039,892	100,592	69.27	6,967,668
Myanmar Economic Bank	Yangon	USD	410	70.75	29,007	410	69.27	28,399
Citibank NA	New York	USD	665,911	70.75	47,113,037	4,812,268	69.27	333,329,929
Hatton National Bank Ltd.	Colombo	ACUD	28,023	70.75	1,982,591	23,771	69.27	1,646,518
Commerz Bank AG	Frankfurt	USD	11,712	70.75	828,587	19,962	69.27	1,382,670
State Bank of India	Kolkata	ACUD	15,725	70.75	1,112,562	15,725	69.27	1,089,241
NIB Bank Ltd.	Karachi	ACUD	108,623	70.75	7,685,032	149,723	69.27	10,370,802
Lloyds TSB Bank Plc	London	USD	-	-	-	25,198	69.27	1,745,377
Mashreq Bank Psc	New York	USD	127,361	70.75	9,010,780	148,982	69.27	10,319,507
Nepal Bangladesh Bank Ltd.	Katmandu	ACUD	47,409	70.75	3,354,190	62,772	69.27	4,347,992
Bank of Bhutan	Phuentsholing	ACUD	223,764	70.75	15,831,217	69,275	69.27	4,798,433
HSBC Plc	London	USD	31,312	70.75	2,215,325	5,143	69.27	356,239
BCCI	London	USD	1,696	70.75	119,967	1,696	69.27	117,452
Wells Fargo N.A	New York	USD	344,356	70.75	24,363,090	451,811	69.27	31,295,435
Habib American Bank	New York	USD	32,043	70.75	2,267,015	231,911	69.27	16,063,722
Commerz Bank AG	Frankfurt	EURO	443,723	93.56	41,514,448	447,473	99.37	44,465,379
Hypovereins Bank	Humburgh	EURO	95,547	93.56	8,939,318	91,500	99.37	9,092,336
HSBC	Karachi	ACUD	750,734	70.75	53,114,236	-	69.27	-
National Commercial Bank Ltd	Jeddah	USD	658,185	70.75	46,566,382	162,455	69.27	11,252,756
Habib Metro Bank	Karachi	ACUD	14,325	70.75	1,013,510	9,600	69.27	664,960
U.B.A.F	Banques	ACUD	19,810	70.75	1,401,552	19,975	69.27	1,383,602
Habib Bank AG	Abudabi	AED	36,500	19.26	703,067	36,500	18.86	688,310
UBAF (Hong Kong) Limited	Hong Kong	USD	254,234	70.75	17,986,970	-	-	-
Reserve Bank of India	Mumbai	INR	15,942,069	1.57	25,092,817	17,539,626	1.49	26,081,424
HDFC Bank	Mumbai	INR	22,887,694	1.57	36,025,231	46,207,985	1.49	68,711,274
Central Bank of India	Mumbai	INR	185,958	1.57	292,698	186,102	1.49	276,734
Commerz Bank AG (Euro)	Mumbai	INR	3,264,762	1.57	5,138,735	15,968	1.49	23,744
HSBC (Euro)	Mumbai	INR	1,681,436	1.57	2,646,580	305,533	1.49	454,327
HSBC (GBP)	Mumbai	INR	540,369	1.57	850,541	1,266,562	1.49	1,883,378
HSBC (USD)	Mumbai	INR	22,461,888	1.57	35,355,011	232,903,807	1.49	346,327,961
JP Morgan Chase Bank	Mumbai	INR	68,470,412	1.57	107,772,429	3,857,227	1.49	5,735,697
HSBC (ACUD)	Mumbai	INR	125,581,492	1.57	197,665,269	-	-	-
HDFC Bank	Mumbai	INR	-	1.57	-	160,000,000	1.49	237,920,000
AB International Finance Ltd.	Hong Kong	USD	24,220,000	70.75	1,614,508,154	16,223,000	69.27	1,123,713,674
					2,415,940,894	2,382,407,068		

AB Bank Limited

Investment in Shares as at 31 December 2010

Annex B

Shares (quoted)

Particulars	Number of shares	Market price per share/ Taka	Total market price/ Taka	Cost per Share	Total cost/ Taka
Jamuna Bank Ltd.	668,833	55.00	36,785,815	43.70	29,229,997
Fareast Islami Life	123,250	401.70	49,509,525	170.11	20,966,651
Pragati Insurance	74,000	1,557.00	115,218,000	1,609.97	119,137,989
Sandhani Life Ins.	1,087	4,152.25	4,513,496	1,239.88	1,347,751
Desco	39,000	2,031.50	79,228,500	1,708.41	66,628,049
Khulna Power	2,875,070	112.60	323,732,882	173.91	500,011,850
Powergrid Com.	261,500	915.75	239,468,625	915.50	239,402,628
Titas Gas T & D Co. Ltd.	36,730	999.00	36,693,270	899.19	33,027,382
Beacon Pharma	5,582,500	68.70	383,517,750	87.00	485,667,868
Beximco Pharma AB	2,191,522	135.10	296,074,622	127.32	279,027,623
Beximco Pharma	1,318,314	135.10	178,104,221	120.11	158,348,355
Square Pharma	42,062	3,522.00	148,142,364	2,897.57	121,877,605
Lafarge S. Cement	26	563.75	14,658	501.50	13,039
Popular Life 1st MF	500,000	11.90	5,950,000	10.00	5,000,000
Olympic Industries	18,000	2,831.75	50,971,500	1,213.98	21,851,551
S. Alam Colled R.	2,243	822.75	1,845,428	129.43	290,301
Singer BD Ltd	1,380	7,169.50	9,893,910	3,379.39	4,663,561
BEXTEx Ltd.	11,010,000	76.30	840,063,000	43.51	479,084,736
Apex Adelchi	5,000	4,111.75	20,558,750	2,700.00	13,500,000
RAK Ceramics	295,518	171.60	50,710,889	41.23	12,184,864
Summit Alliance Port	50	174.10	8,705	219.34	10,967
			2,871,005,910	18,231	2,591,272,762

Shares (unquoted)

Particulars	Number of shares	Cost per Share	Book Value/Cost/Taka
Fiber Homes	500,000	100.00	50,000,000
LR Global Mutual Fund	10,000,000	10.00	100,000,000
Industrial and Infrastructure Development Fiance Co L	227,700	43.92	10,000,000
M I Cement Fac. Ltd.	32,338	111.60	3,608,921
MJL Bangladesh Ltd.	40,192	152.40	6,125,261
Orion Laboratories	1,000,000	100.00	100,000,000
CDBL	2,000,000	5.00	10,000,000
CDBL (Placement)	569,443	60.00	34,166,580
Prime Bank Bond	90	1,000,000.00	90,000,000
Amana Bank Limited (Foreign Bank)	135,421,508	3.11	421,804,037
Total			825,704,799

Schedule of fixed assets at 31 December 2010

Amounts in Taka

Particulars	Cost				Depreciation					Net book value as at 31 December 2010
	Balance at 01 January 2010	Additions during the year	Disposal/ adjustments during the year	Balance at 31 December 2010	Rate of depreciation	Balance at 01 January 2010	Charge for the year	On disposal/adjustment during the year	Balance at 31 December 2010	
	Taka	Taka	Taka	Taka	(%)	Taka	Taka	Taka	Taka	Taka
Land	1,655,423,681	822,599,991	-	2,478,023,672	-	-	-	-	-	2,478,023,672
Building	234,661,764	589,740,982	-	824,402,746	2.5	20,731,548	11,780,780	-	32,512,328	791,890,418
Furniture and Fixtures	137,602,767	36,216,741	9,470,932	164,348,577	10	52,880,531	10,603,572	6,604,454	56,879,649	107,468,927
Office Appliances	56,423,514	3,605,293	774,265	59,254,541	20	30,418,244	4,149,446	731,125	33,836,566	25,417,976
Electrical Appliances	592,979,011	187,212,128	32,050,329	748,140,810	20	298,910,463	108,370,219	14,555,328	392,725,353	355,415,457
Motor Vehicles	316,447,140	64,599,100	29,040,400	352,005,840	20	149,634,435	61,560,994	27,313,807	183,881,622	168,124,217
At 31 December 2010	<u>2,993,537,877</u>	<u>1,703,974,236</u>	<u>71,335,926</u>	<u>4,626,176,186</u>		<u>552,575,221</u>	<u>196,465,012</u>	<u>49,204,714</u>	<u>699,835,518</u>	<u>3,926,340,668</u>
At 31 December 2009	<u>2,996,706,581</u>	<u>248,701,104</u>	<u>251,869,807</u>	<u>2,993,537,878</u>		<u>552,056,347</u>	<u>158,891,082</u>	<u>158,372,208</u>	<u>552,575,221</u>	<u>2,440,962,657</u>

AB Bank Limited

Annex D

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

Name of the bank	Location	Currency	At 31 December 2010			At 31 December 2009		
			Amounts in foreign currency	Conversion rate	Equivalent amounts in Taka	Amounts in foreign currency	Conversion rate	Equivalent amounts in Taka
HSBC	UK	UKP	-	-	-	-	-	-
HSBC	UK	USD	302,855	70.75	21,426,930	257,732	69.27	17,852,269
HSBC	Karachi	USD	-	-	-	21,447	69.27	1,485,567
JP Morgan Chase Bank	New York	USD	-	-	-	-	-	-
American Express Bank Ltd	New York	USD	-	-	-	-	-	-
Habib American Bank	New York	USD	-	-	-	-	-	-
HSBC	New York	USD	-	-	-	-	-	-
Commerz Bank AG	Frankfurt	USD	-	-	-	-	-	-
Total					<u>21,426,930</u>			<u>19,337,836</u>

Detailed of Risk Weighted Assets under Basel II at 31 December 2010

Amount in Taka

Risk Weighted Assets (RWA) for	2010		2009	
	Exposure	Risk Weighted Asset	Exposure	Risk Weighted Asset
A. Credit Risk				
On- Balance sheet (as shown below)	122,180,718,956	99,480,183,517	93,805,982,136	67,049,022,196
Off-Balance sheet (as shown below)	22,832,879,500	25,365,363,238	5,444,555,659	6,039,952,804
B. Market Risk	-	8,850,820,024	-	15,941,021,371
C. Operational Risk	-	14,252,267,073	-	9,429,641,331
Total: RWA (A+B+C)	145,013,598,456	147,948,633,851	99,250,537,795	98,459,637,700

Credit Risk - On Balance Sheet

Sl.	Exposure Type	2010		2009	
		Exposure	Risk Weighted Asset	Exposure	Risk Weighted Asset
a)	Cash and Cash Equivalents	795,844,526	-	465,861,568	-
b)	Claims on Bangladesh Government and Bangladesh Bank	9,746,123,209	-	15,378,423,094	-
c)	Claims on other Sovereigns & Central Banks*	392,099,254	196,049,627	342,465,227	-
d)	Claims on Bank for International Settlements, International Monetary Fund and European Central Bank	-	-	-	-
e)	Claims on Multilateral Development Banks (MDBs):	-	-	-	-
f)	Claims on Public Sector Entities (other than Government) in Bangladesh	25,000,000	12,500,000	30,000,000	15,000,000
g)	Claims on Banks and Non-bank Financial Institution (NBFI):				
i)	Original maturity over 3 months	2,114,828,543	1,940,418,543	498,298,618	498,298,618
ii)	Maturity less than 3 months	8,386,247,776	1,677,249,555	2,686,830,130	537,366,026
h)	Claims on Corporate (excluding equity exposure)	49,987,209,710	60,155,050,888	33,242,365,259	41,309,056,574
i)	Claims under Credit Risk Mitigation	4,322,003,024	520,570,608	10,892,859,759	809,310,044
	<u>Fixed Risk Weight Groups:</u>				
j)	Claims categorized as retail portfolio & Small Enterprise (excluding consumer loan)	28,454,203,762	21,340,652,821	16,176,098,333	12,132,073,749
k)	Consumer Loan	1,296,640,269	1,296,640,269	-	-
l)	Claims fully secured by residential property	329,300,000	164,650,000	4,797,118,559	2,398,559,280
m)	Claims fully secured by commercial real estate	2,699,100,000	2,699,100,000	2,984,596,675	2,984,596,675
n)	Past Due Claims (Risk weights are to be assigned net of specific provision):	1,123,735,120	1,438,069,395	1,376,164,641	1,429,860,956
o)	Investments in venture capital	-	-	-	-
p)	Claim on Capital Market Exposure	228,900,000	286,125,000	-	-
q)	Unlisted equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in banking book	-	-	-	-
r)	Investments in premises, plant and equipment and all other fixed assets	3,926,340,669	3,926,340,669	2,440,962,656	2,440,962,656
s)	Claims on all fixed assets under operating lease	-	-	-	-
t)	All other assets	8,353,143,095	3,826,766,141	2,493,937,617	2,493,937,617
Total		122,180,718,956	99,480,183,517	93,805,982,136	67,049,022,196

Detailed of Risk Weighted Assets under Basel II at 31 December 2010

Credit Risk - Off Balance Sheet

Amount in Taka

Sl.	Exposure Type	2010		2009	
		Exposure	Risk Weighted Asset	Exposure	Risk Weighted Asset
1	2	3	4	5	6
a)	Claims on Bangladesh Government and Bangladesh Bank	-	-	-	-
b)	Claims on other Sovereigns & Central Banks*	-	-	-	-
c)	Claims on Bank for International Settlements, International Monetary Fund and European Central Bank	-	-	-	-
d)	Claims on Multilateral Development Banks (MDBs):	-	-	-	-
e)	Claims on Public Sector Entities (other than Government) in Bangladesh	-	-	-	-
f)	Claims on Banks:	-	-	-	-
	i) Maturity over 3 months	-	-	-	-
	ii) Maturity less than 3 months	-	-	-	-
g)	Claims on Corporate (excluding equity exposure)	19,601,914,300	22,431,516,575	3,913,072,119	4,891,340,149
h)	Against retail portfolio & Small Enterprise (excluding consumer loan)	2,038,474,150	1,528,855,613	1,531,483,539	1,148,612,655
i)	Consumer Loan	342,491,050	342,491,050	-	-
j)	Claims fully secured by residential property	-	-	-	-
k)	Claims fully secured by commercial real estate	-	-	-	-
l)	Investments in venture capital	-	-	-	-
m)	Capital Market Exposure	850,000,000	1,062,500,000	-	-
n)	All other assets	-	-	-	-
Total		22,832,879,500	25,365,363,238	5,444,555,659	6,039,952,804

Disclosures on Risk Based Capital (Basel II) Based on 31 December 2010

These disclosures have been made in accordance with the Bangladesh Bank BRPD Circular no. 35 of 29 December 2010 as to Guidelines on 'Risk Based Capital Adequacy for Banks' in line with Basel II.

1. Capital Adequacy under Basel-II

To cope with the international best practices and to make the Bank's capital more risk sensitive as well as more shock resilient, 'Guidelines on Risk Based Capital Adequacy (RBCA) for Banks' (Revised regulatory capital framework in line with Basel II) have been introduced from January 01, 2009. Throughout the year 2009, Basel II reporting was parallel to Basel I which was the statutory requirement upto that year. However, beginning year 2010, Basel II became mandatory. Bangladesh Bank further reviewed the RBCA Guidelines on several occasions prior to Basel II became fully in force. Instructions regarding Minimum Capital Requirement (MCR), Adequate Capital, and Disclosure requirements as stated in these guidelines have to be followed by all scheduled banks for the purpose of statutory compliance.

Above guidelines were issued by Bangladesh Bank (BB) under section 13 and section 45 of Bank Company Act, 1991 and also in accordance with "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" of June, 2006 (popularly known as 'Basel II Capital Adequacy Framework') released by Basel Committee on Banking Supervision (BCBS).

Basel II guidelines are structured on the following aspects:

- a) Minimum capital requirements to be maintained by a Bank against credit, market, and operational risks.
- b) Process for assessing the overall capital adequacy aligned with risk profile of a Bank as well as capital growth plan.
- c) Framework of public disclosure on the position of a Bank's risk profiles, capital adequacy, and risk management system.

2 Scope of application

Basel II guidelines apply to all scheduled banks on 'Solo' basis as well as on 'Consolidated' basis where-

- Solo Basis' refers to all position of the bank and its local and overseas branches/offices; and
- Consolidated Basis' refers to all position of the bank (including its local and overseas branches/offices) and its subsidiary company(ies) engaged in financial (excluding insurance) activities like merchant banks, brokerage firms, discount houses, etc (if any).

AB Bank followed the scope narrated above. Bank has Tier 1 and 2 capital structure at the moment.

3 Capital base

Regulatory capital has been categorized into three tiers: Tier 1, Tier 2, and Tier 3 respectively.

a) Tier 1 capital

Tier 1 capital called '**Core Capital**' comprises of highest quality of capital elements that consists of:

- i) Paid up capital
- ii) Non-repayable share premium account
- iii) Statutory reserve
- iv) General reserve
- v) Retained earnings
- vi) Minority interest in subsidiaries
- vii) Non-cumulative irredeemable preference shares
- viii) Dividend equalization account

Bank's Core Capital comprises of the above elements except for "Non- cumulative irredeemable preference shares' and 'Dividend Equalisation Account'.

b) Tier 2 capital

Tier 2 capital called 'Supplementary Capital' represents other elements which fall short of some of the characteristics of the core capital but contribute to the overall strength of a bank and consists of:

- i) General provision
- ii) Revaluation reserves
- iii) Revaluation reserve for fixed assets
- iv) Revaluation reserve for securities
- v) Revaluation reserve for equity instrument
- vi) All other preference shares
- vii) Subordinated debt

Bank's Tier 2 capital comprises of above specified elements. However, Bank is yet to resort to preference shares or any kind of subordinate debts.

c) Tier 3 capital

Tier 3 capital called 'Additional Supplementary Capital', consists of short-term subordinated debt (original maturity less than or equal to five years but greater than or equal to two years) would be solely for the purpose of meeting a proportion of the capital requirements for market risk.

Bank has no Tier 3 capital as mentioned earlier.

4. Conditions for maintaining regulatory capital

The calculation of Tier 1 capital, Tier 2 capital, and Tier 3 capital is subject to the following conditions:

- a) The amount of Tier 2 capital will be limited to 100% of the amount of Tier 1 capital.
- b) 50% of revaluation reserves for fixed assets and securities eligible for Tier 2 capital.
- c) 10% of revaluation reserves for equity instruments eligible for Tier 2 capital.
- d) Subordinated debt shall be limited to a maximum of 30% of the amount of Tier 1 capital.
- e) Limitation of Tier 3: A minimum of about 28.5% of market risk needs to be supported by Tier 1 capital. Supporting of Market Risk from Tier 3 capital shall be limited up to maximum of 250% of a bank's Tier 1 capital that is available after meeting credit risk capital requirement.

Bank complied with the conditions as embodied in this respect wherever applicable.

5. Eligible regulatory capital

In order to obtain the eligible regulatory capital for the purpose of calculating Capital Adequacy Ratio (CAR), banks are required to make following deductions from their Tier-1 capital:

- a) Intangible asset e.g., book value of goodwill and value of any contingent assets, etc. which are shown as assets
- b) Shortfall in provisions required against classified assets
- c) Shortfall in provisions required against investment in shares
- d) Remaining deficit on account of revaluation of investments in securities after netting off from any other surplus on the securities.
- e) Reciprocal/crossholdings of bank's capital/subordinated debt artificially intended to inflate the capital position of banks

- f) Holding of equity shares in any form exceeding the approved limit under section 26(2) of Bank Company Act, 1991. The additional/unauthorized amount of holdings will be deducted at 50% from Tier 1 capital and 50% from Tier 2 capital.
- g) Investments in subsidiaries which are not consolidated. The normal practice is to consolidate subsidiaries for the purpose of assessing the capital adequacy of banking groups. Where this is not done, deduction is essential to prevent the multiple uses of the same capital resources in different parts of the group. The deduction for such investments will be 50% from Tier 1 capital and 50% from Tier 2 capital. The assets representing the investments in subsidiary companies whose capital had been deducted from that of the parent would not be included in total assets for the purposes of computing the CAR

Eligible Tier 2 capital will be derived after deducting components (if any) qualified for deduction. Total eligible regulatory capital will be calculated by summing up the eligible Tier 1, Tier 2 and Tier 3 capital.

6. Calculation of Capital Adequacy Ratio

In order to calculate CAR, banks are required to calculate their Risk Weighted Assets (RWA) on the basis of credit, market, and operational risks. Total RWA will be determined by multiplying the amount of capital charge for market risk and operational risk by the reciprocal of the minimum CAR and adding the resulting figures to the sum of risk weighted assets for credit risk. The CAR is then calculated by taking eligible regulatory capital as numerator and total RWA as denominator.

Bank followed the given guidelines in proper terms.

7. Minimum capital requirements

- a) No Scheduled Bank in Bangladesh shall commence and carry on its business unless it has the minimum required capital fixed by BB from time to time as per section 13 of Bank Company Act, 1991.
- b) Banks have to maintain minimum CAR on 'Solo' basis as well as on 'Consolidated' basis as per instruction(s) given by BB from time to time.

Bank has been able to maintain required CAR on both 'Solo' as well as 'Consolidated' basis. Banks presents Tier I Capital ratio is 84.66% and 84.57% to total Capital on Solo and Consolidated basis respectively.

- c) Banks have to maintain at least 50% of required capital as Tier 1 capital

8 a) Credit Risk

Bank followed the suggested methodology, process as contained in the Guidelines.

Credit risk is the potential that a bank borrower or counterparty fails to meet its obligation in accordance with agreed term.

b) Methodology

Bangladesh Bank adopted Standardized Approach for calculating Risk Weighted Assets. The capital requirement for credit risk is based on the risk assessment made by external credit assessment institutions (ECAIs) recognized by BB for capital adequacy purposes. Banks are required to assign a risk weight to all their on-balance sheet and off-balance sheet exposures. Risk weights are based on external credit rating (solicited) which was mapped with the BB rating grade or a fixed weight that is specified by Bangladesh Bank.

c) Credit Risk Mitigation

AB Bank uses a number of techniques to reduce its credit risk to which the Bank is exposed. For example, exposures may be collateralized by first priority claims, in whole as in part with cash or securities, a loan exposure may be guaranteed by a third party. Additionally Bank may agree to net loans owed to them against deposits from the same counterparty.

AB Bank Limited

Bank uses Comprehensive Approach as adopted by the Central Bank. In this approach when taking collateral, Bank will need to calculate adjusted exposure to a counterparty for capital adequacy purposes in order to take account of the effects of that collateral. Using haircut, Bank is required to adjust both the amount of the exposure to the counterparty and the value of any collateral received in support of that counterparty to take account of possible future fluctuations in the value of either, occasioned by market movements. This will produce volatility adjusted amounts for both exposure and collateral.

9. a) Market Risk

Bank followed the suggested methodology, process as contained in the Guidelines.

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. The market risk positions subject to this requirement are:

- i) The risks pertaining to interest rate related instruments and equities in the trading book; and
- ii) Foreign exchange risk and commodities risk throughout the bank (both in the banking and in the trading book).

b) Methodology

In Standardized Approach, the capital requirement for various market risks (interest rate risk, equity price risk, commodity price risk, and foreign exchange risk) is determined separately. The total capital requirement in respect of market risk is the sum of capital requirement calculated for each of these market risk sub-categories. The methodology to calculate capital requirement under Standardized Approach for each of these market risk categories is as follows:

- a) Capital Charge for Interest Rate Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk.
- b) Capital Charge for Equity Position Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk.
- c) Capital Charge for Foreign Exchange Risk = Capital Charge for General Market Risk
- d) Capital Charge for Commodity Position Risk = Capital Charge for General Market Risk

10. a) Operational Risk

Bank followed the suggested methodology, process as contained in the Guidelines.

Operational Risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputation risk.

b) Measurement Methodology

Banks operating in Bangladesh shall compute the capital requirements for operational risk under the Basic Indicator Approach (BIA). Under BIA, the capital charge for operational risk is a fixed percentage, denoted by (alpha), of average positive annual gross income of the bank over the past three years. Figures for any year in which annual gross income is negative or zero, should be excluded from both the numerator and denominator when calculating the average.

11 Disclosure under Pillar III

Disclosure given below as specified by RBCA Guideline dated 29 December:

A) Scope of Application**Qualitative Disclosure**

(a) The name of the top corporate entity in the group to which this guidelines applies.	AB Bank Limited
(b) An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk weighted)	<p>The consolidated financial statements of the Bank include the financial statements of (a) AB Bank Limited (b) AB Investment Limited (c) AB Securities Limited (d) Cash Link Bangladesh Limited (e) AB International Finance Limited. A brief description of these are given below:</p> <p>AB Bank Limited (ABBL)</p> <p>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 82 Branches including 1 Islami Banking Branch, 1 Overseas Branch in Mumbai, India. The Bank has four subsidiary companies, AB Investment Limited, AB Securities Limited, CashLink Bangladesh Limited and AB International Finance Limited, incorporated in Hong Kong.</p>

	<p>AB Investment Limited</p> <p>AB Investment Limited (ABIL), a Subsidiary of AB Bank Limited was incorporated under the Companies Act, 1994 on 24 December 2009 with a view to run and manage the operations of Merchant Banking Wing of AB Bank Limited independently. AB Investment Limited started its operation on 10 March 2010. AB Investment Limited has achieved an unparallel reputation as a leading Merchant Banker through providing portfolio management services by maintaining a high level of professional expertise and integrity in client relationship. ABIL's Registered Office is located at WW Tower (Level 7), 68 Motijheel C.A., Dhaka. ABIL has two branch offices at Agrabad, Chittagong and Chowhatta, Sylhet.</p> <p>AB Securities Limited</p> <p>Brokerage business of Arab Bangladesh Bank Foundation has been transferred to the newly formed AB Securities Limited (ABSL) vide Bangladesh Bank approval letter BRPD(R-1)717/2009-493 dated 08 November 2009. Main objective of the company is to act as a stock broker to buy and sell Securities, Bond, and Debenture etc. on behalf of clients. ABSL also manages its own portfolio under Stock Dealer License. ABSL is a member of both Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. Respectively. ABSL started its operations independently on 02 August 2010, before that it operated under the ABBF License.</p> <p>Cashlink Bangladesh Limited</p> <p>Cashlink Bangladesh Limited (CBL) was incorporated on 24 September 2008 in Bangladesh under the Companies Act 1994 as a private company limited. AB Bank Limited presently holds 60% shares in CBL. The principal activity of the company is to install and operate a switched Automated Teller Machines (ATM) and Point of Sales (POS) network on behalf of a number of local and foreign banks enabling these member bank customers who are active cardholders to withdraw cash, make utility bill payments (e.g. water, gas, electricity and telephone bills) and to purchase commodity goods from any of the ATM and POS terminals established under the network.</p> <p>AB International Finance Limited</p> <p>AB International Finance Limited (ABIFL) is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Unit 1201-B, 12/F, Admiralty Centre, Tower One, 18 Harcourt, Hong Kong.</p> <p>Bank also has a Subsidiary (100% owned) for philanthropic/ CSR activities known as Arab Bangladesh Bank Foundation (ABBF). This has not been included in the Consolidation because Board of Directors have resolved to transform ABBF into the Societies Registration Act No. XXI of 1860.</p>
(c) Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group	Not Applicable

Quantitative Disclosure

(d) The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries.	Not applicable
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B) Capital Structure**Qualitative Disclosure**

(a) Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or in Tier 2.	<p>The terms and conditions of the main features of all capital instruments have been segregated in line with of the eligibility criteria set forth vide BRPD Circular No. 35 dated 29 December 2010 and other relevant instructions given by Bangladesh Bank from time to time. The main features of the capital instruments are as follows:</p> <p>Tier 1 capital instruments</p> <p>Paid-up share capital: Issued, subscribed and fully paid up share capital of the Bank. It represents Paid up Capital, Right Shares as well as Bonus Shares issued from time to time.</p> <p>Statutory Reserve: As per Section 24(1) of the Bank Companies Act, 1991, an amount equivalent to 20% of the profit before taxes for each year of the Bank has been transferred to the Statutory Reserve Fund.</p> <p><i>Bank is complied in this respect.</i></p> <p>General reserve: Any reserve created through Profit and Loss Appropriation Account for fulfilling any purpose.</p> <p><i>Bank is complied in this respect.</i></p> <p>Retained Earnings: Amount of profit retained with the banking company after meeting up all expenses, provisions and appropriations.</p> <p><i>Bank is complied in this respect.</i></p> <p>Tier 2 capital instruments</p> <p>General provision maintained against unclassified loans and off-balance sheet exposures: As per BB directive, amount of provision maintained against unclassified loans and off-balance sheet exposures as of the reporting date has been considered.</p> <p>Asset revaluation reserve: 50% of Assets Revaluation Reserve is considered as Tier 2 Capital. The revaluation reserve was formally conducted by the Professionally Qualified valuation firm and duly certified by the external auditor of the Bank.</p> <p>Revaluation reserves of securities: As per Bangladesh Bank's instruction, up to 50% of revaluation reserves of Governments securities has been considered as Tier 2 Capital. This comprises of revaluation results of HFT and HTM securities.</p>
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Quantitative Disclosure

Amount in Taka

		Bank	Consolidated
(b) The amount of Tier 1 Capital, with separate disclosure of: (as of 31.12.2010).	> Paid up Capital > Non- repayable share premium account > Statutory reserve > General reserve > Retained earnings > Minority Interest in Subsidiaries > Non- cumulative irredeemable preference shares	3,205,316,500 - 4,395,659,026 42,199,200 4,768,418,491 - - 12,411,593,217	3,205,316,500 - 4,395,659,026 110,939,676 4,979,771,371 3,747,308 12,695,433,881
(c) Total amount of Tier II & Tier III Capital		2,248,967,605	2,316,951,830
(d) Other deduction from Capital		-	-
(e) Total eligible capital		14,660,560,821	15,012,385,711

C) Capital Adequacy

Qualitative Disclosure

(a) A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities.	Capital Adequacy is the cushion required to be maintained for covering the Credit risk, Market risk and Operational risk so as to protect the depositors and general creditors interest against such losses. In line with BRPD Circular No. 35 dated 29 December, 2010, the Bank has adopted Standardized Approach for Credit Risk, Standardized (Rule Based) Approach for Market Risk and Basic Indicator Approach for Operational Risk for computing Capital Adequacy.
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Quantitative Disclosure

Amount in Taka

	Bank	Consolidated
(b) Capital requirement for Credit Risk:	11,236,099,208	11,265,078,001
(C) Capital requirement for Market Risk:	796,573,802	872,954,117
(d) Capital requirement for Operational Risk:	1,282,704,037	1,367,984,037
(e) Total and Tier I Capital Ratio:		
> For the Bank alone	84.66%	-
> For the consolidated group	-	84.57%

D) Credit Risk**Qualitative Disclosure**

<p>(a) The general qualitative disclosure requirement with respect to credit risk, including:</p> <p>* Definitions of past due and impaired (for accounting purposes)</p>	<p>Bank classifies loans and advances (loans and bill discount in the nature of an advance) into performing and non-performing loans (NPL) in accordance with the Bangladesh Bank guidelines in this respect.</p> <p>An NPA (impaired) is defined as a loan or an advance where interest and/ or installment of principal remain overdue for more than 90 days in respect of a Continuous credit, Demand loan or a Term Loan etc.</p> <p>Classified loan is categorized under following 03 (three) categories:</p> <ul style="list-style-type: none"> > Sub-standard > Doubtful > Bad & Loss <p>Any continuous loan will be classified as:</p> <ul style="list-style-type: none"> > Sub-standard' if it is past due/over due for 6 months or beyond but less than 9 months. > "Doubtful' if it is past due/over due for 9 months or beyond but less than 12 months. > 'Bad/Loss' if it is past due/over due for 12 months or beyond. <p>Any Demand Loan will be classified as:</p> <ul style="list-style-type: none"> > Sub-standard' if it remains past due/overdue for 6 months or beyond but not over 9 months from the date of claim by the bank or from the date of creation of forced loan. > Doubtful' if it remains past due/overdue for 9 months or beyond but not over 12 months from the date of claim by the bank or from the date of creation of forced loan. > Bad/Loss' if it remains past due/overdue for 12 months or beyond from the date of claim by the bank or from the date of creation of forced loan. <p>In case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the due date, the amount of unpaid installment(s) will be termed as 'defaulted installment'.</p> <p>i. In case of Fixed Term Loans, which are repayable within maximum five years of time:</p>
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	<p>> If the amount of 'defaulted installment' is equal to or more than the amount of installment(s) due within 6 (six) months, the entire loan will be classified as "Sub-standard".</p> <p>> If the amount of 'defaulted installment' is equal to or more than the amount of installment(s) due within 12 (twelve) months, the entire loan will be classified as "Doubtful".</p> <p>> If the amount of 'defaulted installment' is equal to or more than the amount of installment(s) due within 18 (eighteen) months, the entire loan will be classified as "Bad/Loss".</p> <p>ii. In case of Fixed Term Loans, which are repayable in more than five years of time:</p> <p>> If the amount of 'defaulted installment' is equal to or more than the amount of installment(s) due within 12 (twelve) months, the entire loan will be classified as "Sub-standard".</p> <p>> If the amount of 'defaulted installment' is equal to or more than the amount of installment(s) due within 18 (eighteen) months, the entire loan will be classified as "Doubtful".</p> <p>> If the amount of 'defaulted installment' is equal to or more than the amount of installment(s) due within 24 (twenty four) months, the entire loan will be classified as "Bad/Loss".</p>						
* Description of approaches followed for specific and general allowances and statistical methods	Types of loans and advances		Provision				
			UC	SMA	SS	DF	BL
	Consumer	House building and professional	2%	5%	20%	50%	100%
		Other than Housing Finance & Professionals to setup business	5%	5%	20%	50%	100%
	Provision for loan against shares		2%	5%	20%	50%	100%
	Short term Agri. Credit and Micro Credit		5%	5%	5%	5%	100%
	Small & Medium Enterprise Finance		1%	5%	20%	50%	100%
	Others		1%	5%	20%	50%	100%
* Discussion of the Bank's credit risk management policy	<p>The Board approves the credit policy keeping in view relevant Bangladesh Bank guidelines to ensure best practice in credit risk management and maintain quality of assets. Authorities are properly delegated in ensuring check and balance in credit operation at every stage i.e. screening, assessing risk, identification, management and mitigation of credit risk as well as monitoring, supervision and recovery of loans with provision for early warning system. There is a separate Credit Risk Management Division for ensuring proper risk management of Loans and Credit Monitoring and Recovery Division for monitoring and recovery of irregular loans. Internal control & compliance division independently assess quality of loans and compliance status at least once in a year. Adequate provision is maintained against classified loans as per Bangladesh Bank Guidelines. Status of loans are regularly reported to the Board/ Board Audit Committee. Besides, Credit risk management process involves focused on monitoring of Top- 30 Loans, Top- 20 Defaulters, Sectoral exposures viz-a-viz among others limit.</p>						

Quantitative Disclosure

		In %	Amount in Taka
(b) Total gross credit risk exposures broken down by major types of credit exposure	Overdraft	16.12%	14,233,823,128
	Cash credit	0.00%	-
	Time loan	20.08%	17,731,113,022
	Term loan	32.50%	28,700,771,656
	Blc	1.80%	1,593,434,004
	TR	21.98%	19,409,679,799
	LIM	0.00%	-
	Packing credit	0.40%	352,644,189
	Demand loan	0.04%	36,203,050
	Loan-accepted bills	2.12%	1,869,436,030
	Bill Purchased & Discount	2.72%	2,403,972,354
	Card Loan	0.26%	232,291,155
	Consumer loan	1.53%	1,346,941,764
	Staff Loan	0.42%	372,872,129
	Others	0.02%	15,641,201
	Total	100.00%	88,298,823,480
(C) Geographical distribution of exposures, broken down in significant areas by major types of credit exposure	Urban Branches		
	Dhaka	58.88%	51,993,962,706
	Chittagong	26.01%	22,969,180,387
	Khulna	2.69%	2,375,300,000
	Sylhet	1.36%	1,201,500,000
	Barisal	0.27%	237,000,000
	Rajshahi	4.38%	3,870,300,000
		93.60%	82,647,243,093
	Rural Branches		
	Dhaka	3.11%	2,743,700,000
	Chittagong	0.87%	765,000,000
	Khulna	1.37%	1,207,900,000
	Sylhet	0.64%	565,500,000
	Barisal	0.00%	-
	Rajshahi	0.00%	-
		5.98%	5,282,100,000
	Outside Bangladesh		
	ABBL, Mumbai Branch	0.42%	369,480,387
		100.00%	88,298,823,480

		In %	Amount in Taka
(d) Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.	Agriculture	2.45%	2,159,300,000
	Large and medium scale industry	17.55%	15,497,100,000
	Working capital	19.16%	16,915,700,000
	Export	1.70%	1,505,300,000
	Commercial lending	42.52%	37,549,072,354
	Small and cottage industry	0.11%	96,900,000
	Others	16.51%	14,575,451,126
		100.00%	88,298,823,480
(e) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.	Repayable – on demand	15.27%	13,485,188,891
	– upto 3 months	21.91%	19,342,545,344
	– over 3 months but below 1 year	29.95%	26,448,585,826
	– over 1 year but below 5 years	30.77%	27,170,000,000
	– over 5 years	2.10%	1,852,503,419
		100.00%	88,298,823,480
(f) By major industry or counterparty type:			
	i. Amount of impaired loans and if available, past due loans,	2.10%	1,852,480,771
	ii. Specific and general provisions		1,962,814,882
	iii. Charges for specific allowances and charge-offs during the period		709,237,082
(g) Gross Non Performing Assets (NPAs)			
Non Performing Assets (NPAs) to Outstanding Loans & advances	Movement of Non Performing Assets (NPAs)		
	Opening Balance		1,949,168,813
	Additions		402,118,745
	Reductions		498,806,787
	Closing balance		1,852,480,771
	Movement of Specific Provision for Non Performing Assets (NPAs)		
	Opening Balance		823,960,313
	Provision made during the period		214,500,000
	Write - off		-
	Write - back of excess provisions		-
	Closing balance		1,038,460,313
	Provision held by Mumbai Branch		2,911,900
			1,041,372,213

E) Equities: Disclosures for Banking Book Positions

Qualitative Disclosure

<p>(a) The general qualitative disclosure requirement with respect to the equity risk, including:</p> <p>* differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and</p> <p>* discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.</p>	<p>Investment in equity mainly for capital gain purpose but Bank has some investment for relationship and strategic reasons.</p> <p>Quoted shares are valued at cost. Necessary provision is maintained if market price fall below the cost price. Unquoted shares are valued at cost.</p>
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Quantitative Disclosure

Amount in Taka

<p>(b) Value disclosed in the balance sheet of investment, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.</p>	<p>Not Applicable</p>
<p>(C) The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.</p>	<p>3,268,488,614</p>
<p>(d)</p> <p>* Total unrealized gains (losses)</p> <p>* Total latent revaluation gains (losses)</p> <p>* Any amounts of the above included in Tier 2 capital</p>	<p>279,733,144</p> <p>Nil</p> <p>Nil</p>

(e) Capital requirements broken down by appropriate equity grouping, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements	Nil
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F) Interest rate risk in the banking book (IRRBB)**Qualitative Disclosure**

(a) The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behaviour of non-maturity deposits, and frequency of IRRBB measurement.	<p>Interest rate risk is the potential that the value of the On Balance Sheet and the Off Balance Sheet position of the Bank would be negatively effected with the change in the Interest rate. The vulnerability of an institution towards the advance movement of the interest rate can be gauged by using Duration GAP under Stress Testing Analysis.</p> <p>AB Bank has also been exercising the Stress Testing using the Duration GAP for measuring the Interest Rate Risk on its On Balance Sheet exposure for estimating the impact of the net change in the market value of equity on the Capital Adequacy Ratio (CAR) due to change in interest rates only on its On Balance Sheet position (as the Bank holds no interest bearing Off Balance Sheet positions and or Derivatives). Under the assumption of three different interest rate changes i.e. 1%, 2% and 3%.</p>
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Quantitative Disclosure

		Taka in Million		
(b) The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant).	Market Value of Assets			134,918
	Market Value of Liability			122,968
	Weighted Avg. Duration GAP			0.822
	Yield to Maturity			9.76%
	Magnitude changes:	<u>1%</u>	<u>2%</u>	<u>3%</u>
	Fall in MV of Equity	866.33	1,732.66	2,598.98
	Tax adjusted loss	498.14	996.28	1,494.42

G) Market Risk**Qualitative Disclosure**

(a) Views of BOD on trading/investment activities	The Board approves all policies related to market risk, sets limits and reviews compliance on a regular basis. The objective is to provide cost effective funding last year to finance asset growth and trade related transaction.
(b) Methods used to measure Market risk	Standardized approach has been used to measure the market risk. The total capital requirement in respect of market risk is the aggregate capital requirement calculated for each of the risk sub-categories. For each risk category minimum capital requirement is measured in terms of two separately calculated capital charges for 'specific risk' and 'general market risk'.
(c) Market risk Management system	The Treasury Division manage market risk covering liquidity, interest rate and foreign exchange risks with oversight from Asset-Liability management Committee(ALCO) comprising senior executives of the Bank. ALCO is chaired by the managing Director. Alco meets at least once in a month.
(d) Policies and process for mitigating market risk	There are approved limits for Market risk related instruments both on-balance sheet and off-balance sheet items. The limits are monitored and enforced on a regular basis to protect against market risks. The exchange rate committee of the Bank meets on a daily basis to review the prevailing market condition, exchange rate, forex position and transactions to mitigate foreign exchange risks.

Quantitative Disclosure

Amount in Taka

(b) The capital requirements for:	
Interest rate risk	170,917,967
Equity position risk	589,424,252
Foreign exchange risk	36,151,925
Commodity risk	-
	796,494,145

H) Operational Risk**Qualitative Disclosure**

(a) > Views of BOD on system to reduce Operational Risk	The policy for operational risks including internal control & compliance risk is approved by the board taking into account relevant guidelines of Bangladesh bank. Audit committee of the Board oversees the activities of Internal Control & Compliance Division (ICCD) to protect against all operational risk.
> Performance gap of executives and staffs	AB has a policy to provide competitive package and best working environment to attract and retain the most talented people available in the industry. AB's strong brand image plays an important role in employee motivation. As a result, there is no significant performance gap.
> Potential external events	No potential external events is expected to expose the Bank to significant operational risk.

<p>> Policies and processes for mitigating operational risk</p>	<p>The policy for operational risks including internal control & compliance risk is approved by the Board taking into account relevant guidelines of Bangladesh bank. Policy guidelines on Risk Based Internal Audit system is in operation as per RBA branches are rated according to their risk status and branches scoring more on risk status are subjected to more frequent audit by Internal Control & Compliance Division (ICCD). It is the policy of the bank to put all the branches of the bank under any form of audit at least once in a year. ICCD directly report to Audit Committee of the Board. In addition there is a Vigilance Cell established in 2009 to reinforce operational risk management of the bank. Bank's Anti-Money laundering activities are headed by CAMELCO and their activities are devoted to protect against all money laundering and terrorist finance related activities. Apart from that, there is adequate chesk & balance at every stage of operation, authorities are properly segregated and there is at least dual control on every transaction to protect against operational risk.</p>
<p>> Approach for calculating capital charge for operational risk</p>	<p>Basic Indicator Approach was used for calculating capital charge for operational risk as of the reporting date.</p>

Quantitative Disclosure

Amount in Taka

(b) The capital requirements for Operational Risk	1,282,704,037
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Balance Sheet at 31 December 2010

	Amounts in Taka		Amounts in INR	
	At 31 Dec 2010	At 31 Dec 2009	At 31 Dec 2010	At 31 Dec 2009
PROPERTY AND ASSETS				
Cash	27,918,117	29,451,586	17,737,050	19,806,043
In hand (including foreign currencies)	2,825,300	3,370,162	1,794,981	2,266,417
Balance with Reserve Bank India (including foreign currencies)	25,092,817	26,081,424	15,942,069	17,539,626
Balance with other banks and financial institutions	385,746,494	425,648,168	245,074,012	286,246,246
In India	36,317,929	68,988,008	23,073,652	46,394,087
Outside India	349,428,565	356,660,160	222,000,359	239,852,159
Money at call and on short notice	110,180,000	237,920,000	70,000,000	160,000,000
Investments	215,663,578	191,912,369	137,016,250	129,060,100
Government	163,091,978	186,261,769	103,616,250	125,260,100
Others	52,571,600	5,650,600	33,400,000	3,800,000
Loans and advances	771,048,113	352,487,333	489,865,383	237,045,954
Loans, cash credits, overdrafts, etc	369,480,387	276,444,070	234,739,763	185,907,243
Bills purchased and discounted	401,567,725	76,043,263	255,125,620	51,138,711
Fixed assets including premises, furniture and fixtures	34,869,309	42,766,929	22,153,309	28,760,544
Other assets	301,971,258	228,009,443	191,849,592	153,335,201
Non-banking assets	-	-	-	-
Total Assets	1,847,396,868	1,508,195,829	1,173,695,596	1,014,254,088
LIABILITIES AND CAPITAL				
Liabilities				
Borrowings from other banks, financial institutions and agents	-	-	-	-
Deposits and other accounts	674,344,245	549,955,553	428,427,093	369,842,336
Current deposits	574,133,501	397,854,397	364,760,801	267,555,075
Demand deposits	8,085,186	5,698,280	5,136,713	3,832,065
Bills payable	1,443,645	430,335	917,182	289,398
Savings bank deposits	9,161,126	11,652,407	5,820,283	7,836,185
Special notice deposits	-	-	-	-
Fixed deposits	80,121,613	132,741,804	50,903,185	89,268,194
Other deposits	1,399,175	1,578,331	888,930	1,061,419
Other liabilities	272,996,623	186,710,542	173,441,311	125,561,897
Total Liabilities	947,340,868	736,666,095	601,868,404	495,404,233
Capital/Shareholders' Equity				
Total Shareholders' Equity	900,056,000	771,529,734	571,827,192	518,849,855
Paid-up capital	582,100,776	549,926,209	369,822,602	369,822,602
Statutory reserve	163,907,703	133,886,506	104,134,500	90,038,000
Other reserve	10,783,474	7,584,256	6,851,000	5,100,374
Retained earnings	143,264,048	80,132,763	91,019,090	53,888,879
Total Liabilities and Shareholders' Equity	1,847,396,868	1,508,195,829	1,173,695,596	1,014,254,088

Profit and Loss Statement for the year ended 31 December 2010

	Amounts in Taka		Amounts in INR	
	Year ended 31 Dec 2010	Year ended 31 Dec 2009	Year ended 31 Dec 2010	Year ended 31 Dec 2009
OPERATING INCOME				
Interest income	39,266,411	43,765,116	25,702,118	29,431,820
Interest paid on deposits and borrowings, etc	(3,366,292)	(7,517,492)	(2,203,431)	(5,055,476)
Net interest income	35,900,119	36,247,624	23,498,687	24,376,344
Investment income	10,298,971	8,059,681	6,741,267	5,420,095
Commission, exchange and brokerage	230,481,788	165,556,065	150,863,550	111,335,619
Other operating income	2,533,472	3,413,303	1,658,303	2,295,429
	243,314,232	177,029,050	159,263,120	119,051,143
Total operating income (a)	279,214,350	213,276,674	182,761,807	143,427,487
OPERATING EXPENSES				
Salary and allowances	17,140,745	13,518,723	11,219,600	9,091,273
Rent, taxes, insurance, electricity, etc.	8,798,918	9,537,110	5,759,397	6,413,658
Legal expenses	3,667	3,718	2,400	2,500
Postage, stamps, telecommunication, etc.	7,941,593	5,649,172	5,198,228	3,799,040
Stationery, printing, advertisement, etc.	3,943,892	1,637,070	2,581,504	1,100,921
Chief executive's salary and fees	-	-	-	-
Directors' fees	-	-	-	-
Auditors' fees	916,372	1,191,814	599,818	801,489
Charges on loan losses	-	-	-	-
Depreciation and repairs of Bank's assets	13,664,028	11,277,777	8,943,890	7,584,248
Other expenses	71,528,625	37,119,127	46,819,588	24,962,426
Total operating expenses (b)	123,937,839	79,934,511	81,124,424	53,755,555
Profit before provision (c = a-b)	155,276,511	133,342,163	101,637,382	89,671,932
Provision against loans and advances	9,237,082	4,584,643	6,046,200	3,083,149
Provision for diminution in value of investments	2,674,519	-	1,750,626	-
Other provisions	-	-	-	-
Total provision (d)	11,911,601	4,584,643	7,796,826	3,083,149
Profit before taxation (c-d)	143,364,910	128,757,520	93,840,556	86,588,783
Provision for taxation	65,103,302	54,356,690	42,613,845	36,554,600
Current tax	62,970,800	54,356,690	41,218,000	36,554,600
Deferred tax	2,132,502	-	1,395,845	-
Net profit after taxation	78,261,608	74,400,830	51,226,711	50,034,183

AB Bank Limited
Islami Banking Branch

Annex - G

Balance Sheet at 31 December 2010

PROPERTY AND ASSETS

Cash in hand

Cash in Hand (Including foreign currencies)
Balance with Bangladesh Bank and its Agent Banks
(Incl. Foreign Currencies)

Balance with Other Banks and Financial Institutions

In Bangladesh
Outside Bangladesh

Placement with other Banks and Financial Institutions

Investment in shares and other financial institutions

Government
Others

Investments

General Investments etc
Bills Purchased and Discounted

Fixed Assets including Premises

Other Assets

Non-Banking Assets

Total Assets

LIABILITIES AND CAPITAL

Liabilities

Placement from banks and other financial institutions

Deposits and Other Accounts

Mudaraba Savings Deposits
Mudaraba Term Deposits
Other Mudaraba Deposits
Al-Wadeeah Current and Other Deposit Accounts
Bills Payable

Other Liabilities

Total Liabilities

Capital and Shareholders' Equity

Paid up Capital
Statutory Reserve
Other Reserves
Retained Earnings

Total Shareholders' Equity

Total Liabilities and Shareholders' Equity

Amounts in Taka	
At 31 Dec 2010	At 31 Dec 2009
46,018,214	63,493,496
3,925,782	3,493,496
42,092,431	60,000,000
3,684,866,147	1,001,599,179
3,684,866,147	1,001,599,179
-	-
-	-
41,000,000	-
41,000,000	-
-	-
3,605,082,247	1,756,564,091
3,284,691,581	1,743,233,328
320,390,666	13,330,763
13,497,714	13,250,170
156,804,739	403,282,192
-	-
7,547,269,061	3,238,189,128
3,201,903,741	1,007,043,594
4,042,320,109	2,086,830,926
52,823,279	367,865,006
3,357,031,303	1,576,572,160
503,554,657	60,704,597
122,651,694	76,249,923
6,259,177	5,439,240
303,045,211	144,314,608
7,547,269,061	3,238,189,128
-	-
-	-
-	-
-	-
7,547,269,061	3,238,189,128

AB Bank Limited
Islami Banking Branch

Annex - G

- - - /1

Profit and Loss Statement for the year ended 31 December 2010

	Amounts in Taka	
	Year ended 31 Dec 2010	Year ended 31 Dec 2009
OPERATING INCOME		
Investment income	403,741,404	592,942,205
Profit paid on deposits	238,627,672	397,909,211
Net Investment income	165,113,732	195,032,994
Income from Investments in shares/Securities	-	-
Commission, exchange and brokerage	19,455,576	17,046,978
Other operating income	766,470	1,337,572
Total operating income	185,335,779	213,417,544
Operating Expenses		
Salaries and allowances	17,821,215	13,346,697
Rent, Taxes, Insurance, Electricity, etc	592,923	619,668
Legal expenses	-	-
Postage, stamps, telecommunication, etc	308,973	311,736
Stationeries, printing and advertisement, etc	757,329	439,643
Directors' Fees and Expenses	-	-
Shariah Supervisory Committee's Fees and Expenses	94,752	111,588
Auditors Fees	-	-
Charges on Investment Losses	-	-
Depreciation and repair to bank's assets	2,546,007	2,312,650
Zakat Expenses	-	-
Other expenses	4,126,608	3,937,146
Total operating expenses	26,247,807	21,079,126
Profit / (Loss) before provisions	159,087,972	192,338,417

Profit paid on deposits

Profit and Loss of Islami Banking Branch is calculated annually as at 31 December each year. Minimum 60% of investment income is distributed among the different types of Mudaraba depositors following weightage system and the remaining portion is retained by the Bank as fee for managing the investment and off-setting investment loss. Provisional rates of profit are applied to the different types of Mudaraba deposit accounts on the basis of expected volume of investment income in an accounting year, prevailing rates of profit on deposit of other Islamic banks and the trend in the banking industry.

In the year 2010 final profit has been paid to the depositors as per the following weightage and rates:

Types of Deposit	Weightage	Final Rate of Profit (%)
1. Mudaraba Savings Deposits	0.44 to 0.53	5.28 to 6.34
2. Mudaraba Special Notice Deposits	0.26 to 0.44	3.17 to 5.28
3. Mudaraba Term Deposits		
· 36 Months	0.67 to 1.08	7.99 to 12.94
· 24 Months	0.97 to 1.08	11.62 to 12.94
· 12 Months	0.53 to 1.05	6.34 to 12.67
· 6 Months	0.44 to 0.79	5.28 to 9.51
· 3 Months	0.70 to 0.83	8.45 to 10.01
· 1 Month	1.05	12.67
4. Mudaraba Probable Millionaire Scheme	1.05	12.67
5. Mudaraba Quarterly Profit Paying Scheme	1.05	12.67
6. Mudaraba Hajj Deposit Scheme	1.05	12.67
7. Mudaraba Pension Deposit Scheme	1.05	12.67

A competent Shariah Council consisting of Islamic scholars, Ulema, Fukaha and Islamic bankers headed by Mr. Shah Abdul Hannan, a prominent Islamic scholar and former Secretary, Government of Bangladesh guides the Islamic banking operations of the bank. During the year 2010, Shariah Council sat in 4 (four) meetings. 2 (two) meetings of it's Standing Committee was also held to review different operational issues. The Council also audited the branch activities through it's Muraquib and reviewed the audit report in it's regular meeting. Shariah Council observed that both the officials and clients of the branch became more cautious during the year about the compliance of Shariah Principles.

AB Bank Limited (Custodian Wing)**Annex - I****Profit and Loss Statement for the year ended 31 December 2010**

	Amounts in Taka	
	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Operating Income		
Commission, exchange and brokerage	1,870,457	1,199,202
Total Operating Income (a)	1,870,457	1,199,202
Operating Expenses		
Salary and allowances	305,098	715,296
Rent, taxes and insurance	15,000	15,000
Auditor's fees	11,500	10,450
Other expenses	491,681	98,832
Total operating expenses (b)	823,279	839,578
Profit before provision (c=a-b)	1,047,178	359,624
Provision for taxation	-	-
Net profit after taxation	1,047,178	359,624

AB Bank Limited
Off-Shore Banking units

Annex - J

Balance sheet at 31 December 2010

	Amounts (Taka)	Amounts (USD)
	At	At
	31 Dec 2010	31 Dec 2010
PROPERTY AND ASSETS		
Cash	-	-
Cash in Hand (Including foreign currencies)	-	-
Balance with Bangladesh Bank and its agent Bank (s)	-	-
Balance with Other Banks and Financial Institutions	18,305,139	258,731
In Bangladesh	558,916	7,900
Outside Bangladesh	17,746,224	250,831
Investment:	-	-
Government	-	-
Others	-	-
Loans and Advances	1,439,262,602	20,343,021
Loans cash credits, overdrafts, etc	513,708,265	7,260,925
Bills Purchased and Discounted	925,554,336	13,082,096
Premises and Fixed Assets (WDV)	-	-
Premises and Fixed Assets (Cost)	-	-
Accumulated Depreciation	-	-
Other Assets	11,612,719	164,138
Accrued Interest	11,612,719	164,138
Pre-paid Advances	-	-
LD Paid without Advice	-	-
Miscellaneous	-	-
Non-Banking Assets	-	-
Total Assets	1,469,180,460	20,765,890
LIABILITIES AND CAPITAL		
Liabilities		
Borrowing from Bank, Financial Institutions and agents	1,444,929,624	20,423,120
In Bangladesh - Call and Term Borrowings	99,049,580	1,400,000
Outside Bangladesh - NOSTRO Overdrawn	-	-
Bangladesh Bank	1,345,880,044	19,023,120
Deposits and Other Accounts:	-	-
Demand Deposits	-	-
Demand Deposits - Others	-	-
Savings Deposits	-	-
Bearer Certificate of Deposits (BCD)	-	-
Fixed Term Deposits - FDR	-	-
Short Term Deposit - STD	-	-
Other Term Deposit - NFCD	-	-
Other Deposits	-	-
Other Liabilities	-	-
Accrued Interest	-	-
Provisions	-	-
Other Liabilities	-	-
Total Liabilities	1,444,929,624	20,423,120
Capital and Shareholders' Equity:		
Paid up Capital	-	-
Statutory Reserve	-	-
General Reserve	-	-
Other Reserves	-	-
Deficit in profit and loss account / Retained earning	24,250,835	342,770
Total Shareholders' Equity	24,250,835	342,770
Total Liabilities and Shareholders' Equity	1,469,180,460	20,765,890

Profit and Loss Statement for the period from 28 April 2010 to 31 December 2010

	Amounts (Taka)	Amounts (USD)
Interest income	18,200,573	257,253
Interest paid on deposits and borrowings	(18,239,447)	(257,802)
Net interest income	(38,874)	(549)
Investment income	-	-
Commission, exchange and brokerage	25,728,000	363,648
Other operating income	104,710	1,480
Total operating income (A)	25,793,835	364,579
Salaries and allowances	1,045,449	14,777
Rent, taxes, insurance, electricity, etc	354,334	5,008
Legal expenses	-	-
Postage, stamps, telecommunication, etc	10,104	143
Stationeries, printing, advertisement, etc	-	-
Directors' fees	-	-
Auditors' fees	-	-
Charges on loan losses	-	-
Depreciation and repair of bank's assets	-	-
Other expenses	133,113	1,881
Total operating expenses (B)	1,543,000	21,810
Profit / (Loss) before provisions (C=A-B)	24,250,835	342,769
Provisions for loans and advances/Investment		
Specific provision	-	-
General provision	-	-
Investment	-	-
Provision for diminution in value of investment	-	-
Other provision	-	-
Total provision (D)	-	-
Profit / (Loss) after provisions (C-D)	24,250,835	342,769
Provision for Taxation		
Current Tax	-	-
Deferred Tax	-	-
	-	-
Net Profit / (Loss) after taxation	24,250,835	342,769

Balance Sheet at 31 December 2010

Amounts (Taka)

I. SOURCES OF FUND**1. Shareholders' fund**

- a) Share Capital
- b) Retained Earning
- c) Share Money Deposit

99,900,000
560,482,934
4,900,100,000
5,560,482,934

2. Long term liabilities

- a) Provident Fund and Gratuity Fund

883,004

5,561,365,938**II. APPLICATION OF FUND****1. Fixed assets**

- a) At cost
- b) Less: Accumulated depreciation

4,910,950

947,505

3,963,445**2. Loans and investments**

- a) Investment in shares-at cost

241,876,553**3. Current assets**

- a) Loan to clients
- b) Advance, deposit and prepayments
- c) Receivable from sale proceeds of shares
- d) Cash and Bank Balances

6,098,303,586

33,782,541

309,251,239

95,961,044

6,537,298,410**5. Less: Current Liabilities**

- a) Liabilities for expenses
- b) Payable against sales Proceeds
- c) Provision for Taxation
- d) Provision for unclassified loan and investments
- e) Credit Balance with clients' account

7,738,275

311,751,240

379,360,224

71,784,102

453,726,205

1,224,360,046**6. Net current assets (4-5)****5,312,938,364****7. Miscellaneous**

(Expenditure to the extent not written off)

Intangible Asset

731,008

Deferred Revenue Expenditure

1,856,568

5,561,365,938

Profit and Loss Statement for the period from 10 March 2010 to 31 December 2010

Amounts (Taka)

Operating Income

Interest Income	713,088,378
Management Fee	295,290,468
Dividend Income	40,382
Transaction/Settlement Fee	281,416,804
Other Operating Income	22,641,987
Total Operating Income (a)	1,312,478,018

Operating Expenses

Salary and Allowances	8,760,395
Audit and Consultancy	383,400
Administrative Expenses	73,661,151
Financial Expense	218,045,810
Total Operating Expenses (b)	300,850,756
Profit before Provision (c=a-b)	1,011,627,262

Provision for Loan	66,041,047
Provision for Investment	5,743,055
Total Provision (d)	71,784,102
Net Profit before taxation for the period (c-d)	939,843,161

<u>Less:</u> Provision for Income Tax	379,360,224
Net profit after taxation for the period	560,482,937

AB Securities Limited**Annex - L****Balance Sheet at 31 December 2010**Amounts (Taka)**Sources of Funds****Shareholders Equity**

Share Capital

35,000,000

Share Money Deposit

165,000,000

Retained Earnings

248,789,323

Total Shareholders' Equity**448,789,323****Application of Funds****Non-Current Assets****16,793,331**

Property, plant and equipment less accumulated depreciation

15,557,755

Preliminary expenses

1,235,576

Investments**72,211,459****Current Assets****1,892,821,500**

Cash and cash equivalents in hand and Bank

569,528,544

Other current assets

1,274,948,661

Advances, deposit and prepayment

48,344,295

Less: Current Liabilities and Provisions**1,533,036,968**

Other liabilities

1,461,953,304

Liabilities for expenses

4,310,651

Provision for tax

66,773,013

Net Current Assets**359,784,533****Total Application of Fund****448,789,323**

Profit and Loss Statement for the period from 02 August 2010 to 31 December 2010

Amounts (Taka)

Income**361,346,434**

Brokerage Commission Less Howla and Laga charges

139,161,772

Interest Income

65,185,961

Investment Income

146,330,682

Other Operating Income

10,668,019

Less: Operating and Other Expenses**45,784,099**

Operating Expenses

23,086,206

Finance Charge

21,320,507

Depreciation on Fixed Assets

1,377,385

Profit before Tax**315,562,336**Less: Provision for tax

66,773,013

Profit/(Loss) carried forward**248,789,323****Retained Earnings****248,789,323**

Balance Sheet at 31 December 2010

	Amounts in Taka	
	At 31 Dec 2010	At 31 Dec 2009
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	57,656,905	79,637,589
Investment in ETN	101,600,000	101,600,000
Intangible Assets	83,937,380	110,342,726
Total Non Current Assets	243,194,284	291,580,315
Current Assets		
Cash and Bank Balances	9,232,058	852,763
Investment in Fixed Deposit	243,439,829	242,630,415
Investment in ABIL	10,161,757	-
Current Account with ETN	70,179,943	21,607,283
Advance, Deposit and Prepayments	14,570,910	12,894,212
Accounts Receivables	48,348,682	-
Total Current Assets	395,933,178	277,984,673
Total Assets	639,127,464	569,564,988
EQUITY AND LIABILITIES		
Equity		
Share Capital	238,000,000	238,000,000
Calls in Arrear	(5,600,000)	(11,200,000)
Share Money Deposit	4,200,000	4,200,000
Retained Loss	(232,931,929)	(156,682,609)
Total Equity	3,668,071	74,317,391
Liabilities		
Non-Current Liabilities	-	-
Current Liabilities		
Accrued Expenses	12,969,306	22,911,338
Accounts Payable	491,201	4,345,013
Tax Deducted at Source	395,650	77,351
VAT Deducted at Source	97,647	3,352
Bank Overdraft	217,150,601	225,005,059
Payable to AB Bank Ltd	404,354,987	242,905,483
Total Current Liabilities	635,459,393	495,247,596
Total Liabilities	635,459,393	495,247,596
Total Equity and Liabilities	639,127,464	569,564,988

Profit and Loss Statement for the year ended 31 December 2010

	Amounts in Taka	
	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Revenue	18,894,834	-
<u>Less:</u> Operating Expenses	53,203,458	36,532,896
Gross Loss	(34,308,624)	(36,532,896)
<u>Less:</u> General and Administration Expenses	103,647,219	112,092,267
Net Operating Loss	(137,955,843)	(148,625,163)
<u>Add:</u> Other Income	61,711,523	22,556,269
Net Loss before Tax	(76,244,321)	(126,068,894)
Tax Expenses/ Provision for Tax	5,000	-
Net Loss after Tax	(76,249,321)	(126,068,894)
 <u>Less:</u> Prior year adjustment	 -	 (2,861,817)
Retained Loss Brought Forward	(156,682,609)	(27,751,898)
Retained Loss Brought Forward	(232,931,929)	(156,682,609)

Balance Sheet at 31 December 2010

	Amounts in HK\$	
	At 31 Dec 2010	At 31 Dec 2009
NON-CURRENT ASSETS		
Property, plant and equipment	55,935	8,277
CURRENT ASSETS		
Discounted bills receivable	179,712,756	132,480,583
Deposits, prepayments and other receivable	175,804	250,927
Cash and bank balances	462,771	625,997
	180,351,331	133,357,507
CURRENT LIABILITIES		
Accrued liabilities and other payables	5,775,415	4,652,528
Deferred interest income	1,572,555	1,245,616
Provision for long service payments	442,931	391,279
Due to ultimate holding company	158,836,250	112,049,500
Tax payable	383,654	428,544
	167,010,805	118,767,467
NET CURRENT ASSETS	13,340,526	14,590,040
	13,396,461	14,598,317
EQUITY		
Share capital	1,000,000	1,000,000
Retained earnings	134,502	72,348
Proposed final dividend	4,700,000	8,000,000
Capital Reserve	7,561,959	5,525,969
	13,396,461	14,598,317

Profit and Loss Statement for the year ended 31 December 2010

	Amounts in HK\$	
	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Interest income	8,885,679	7,071,963
Interest expenses	(993,845)	(887,117)
Net interest income	7,891,834	6,184,846
Other operating income	5,144,965	3,977,131
Total operating income	13,036,799	10,161,977
Staff costs	(2,277,065)	(2,150,746)
Depreciation	(12,769)	(6,775)
Provision for long service payments	(51,652)	(170,817)
Other operating expenses	(2,551,350)	(2,164,667)
Total operating expenses	(4,892,836)	(4,493,005)
Profit before taxation	8,143,963	5,668,972
Income tax	(1,345,819)	(962,165)
Profit for the year	6,798,144	4,706,807
Retained earnings at start of the year	72,348	4,782,784
Proposed final dividend	(4,700,000)	(8,000,000)
Transfer to capital reserve	(2,035,990)	(1,417,243)
Retained earnings at the end of the year	134,502	72,348

Arab Bangladesh Bank Foundation
Balance Sheet at December 31, 2010

Annex - O

Amounts in Taka

I. Sources of Funds

1. Shareholders funds

(a) Capital

(b) Reserve and Surplus

Total

At 31 Dec 2010	At 31 Dec 2009
20,000,000	20,000,000
390,664,710	232,963,742
410,664,710	252,963,742

II. Application of Funds

1. Fixed Assets less accumulated depreciation

2. Investments

12,700,000	16,694,718
-	232,176,920
12,700,000	248,871,638

3. Current Assets, Loans and Advances

Cash in hand and Bank

Other current assets

Advances

46,897,887	520,302,172
432,524,748	829,731,302
-	36,599,191
479,422,635	1,386,632,663

Less: Current Liabilities and Provisions:

Liabilities

Provisions

Provision for Tax

81,407,925	1,319,960,425
50,000	2,202,354
-	60,377,780
81,457,925	1,382,540,559
397,964,710	4,092,104
410,664,710	252,963,742

Net Current Assets

Total

Profit and Loss Statement for the year ended 31 December 2010

	Amounts in Taka	
	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Income	31,716,962	318,874,143
Brokerage Commission Less Howla and Laga charges	-	211,615,288
Interest Income	31,716,962	82,400,464
Other Operating Income	-	24,858,391
 Less: Operating and Other Expenses	 10,393,860	 125,062,739
Operating Expenses	10,393,860	41,925,130
Finance Charge	-	79,930,105
Depreciation on Fixed Assets	-	3,207,504
 Profit before Tax	 21,323,102	 193,811,404
 Provision for Taxation		
Current Tax	-	49,489,502
Deferred Tax	-	117,588
Profit after tax	21,323,102	144,204,314

Name of the Directors and entities in which had interest at 31 December 2010

Sl no.	Name of the Directors	Status	Name of the firms / companies / in which interested as pre-proprietor / partner / director / agent / guarantor / employees / etc
1	Mr. M. Wahidul Haque	Chairman	1. Deundi Tea Company (UK) Ltd 2. The Noyapara Tea (UK) Ltd
2	Mr. Salim Ahmed	Vice-Chairman	1. Elite Chemical Industries Ltd 2. Elite International Ltd 3. Hexagon Chemical Complex Ltd 4. Super Petrochemical (Pvt.) Ltd 5. Super Refinery Pvt. Ltd 6. Elite Properties Management Ltd 7. Elite Super Plastic and Industries Pvt. Ltd 8. Super Share and Securities Ltd 9. Super Sea Fish Pvt. Ltd 10. Elite Oil Refinery Ltd 11. Bangladesh General Insurance Co. Ltd 12. Centre Point Hospital Pvt. Ltd
3	Mr. Feroz Ahmed	Director	1. Elite Chemical Industries Ltd 2. Elite International Ltd 3. Hexagon Chemical Complex Ltd 4. Ahmed Securities Services Ltd
4	Mr. M. A. Awal	Director	N/A
5	Mr. Shishir Ranjan Bose, FCA	Independent Director	S.R. Bose & Co. Chartered Accountants as proprietor
6	Mr. Faheemul Huq Barrister-at-Law	Director	N/A
7	Mr. Syed Afzal Hasan Uddin Barrister-at-Law	Director	1. Syed Ishtiaq Ahmed & Associates 2. Managwell Investment Ltd
8	Mr. Mishaal Kabir	Director	Hyundai Motors Bangladesh Ltd
9	Mr. Md. Mesbahul Hoque	Director	1. Reptiles Firm Ltd, Chairman 2. Therapeutics Bangladesh Ltd, MD
10	Mr. Md. Anwar Jamil Siddiqui	Director	1. Pacific Motors Ltd, Executive Director 2. Therapeutics Bangladesh Ltd, Director 3. Hyundai Motors Bangladesh Ltd, Director
11	Mr. B.B. Saha Roy	Director	N/A
12	Dr. M. Imtiaz Hossain	Depositor Director	N/A
13	Mrs. Runa Zakia Shahrood Khan	Depositor Director	CONTIC, Partner
14	Mr. Kaiser A. Chowdhury	President & Managing Director	N/A