

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

AB Bank Limited

Auditors' report and consolidated financial statements
for the year ended 31 December 2011

S. F. AHMED & CO
Chartered Accountants
House 25, Road 13A, Block D, Banani, Dhaka 1213, Bangladesh
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Auditors' Report to the Shareholders of 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, AB International Finance Limited and AB Exchange (UK) Limited which comprise Consolidated Balance Sheet at 31 December 2011 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/ Bangladesh Accounting Standards give a true and fair view of the state of affairs of the Bank as at 31 December 2011 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 loans and advances and other assets following the guidelines of Bangladesh Bank;
- (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 requirement of Bangladesh Bank;
- (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.

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 19 February 2012

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

AB Bank Limited and Its Subsidiaries
Consolidated Balance Sheet at 31 December 2011

		Amounts in Taka	
		At	At
		31 Dec 2011	31 Dec 2010
PROPERTY AND ASSETS			
Cash	3(a)	9,361,503,594	6,615,787,687
In hand (including foreign currencies)	3.1(a)	997,917,256	793,965,044
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	3.2(a)	8,363,586,338	5,821,822,643
Balance with other banks and financial institutions	4(a)	6,695,213,100	4,855,275,265
In Bangladesh	4.1(a)	5,664,958,585	3,883,196,975
Outside Bangladesh	4.2(a)	1,030,254,515	972,078,290
Money at call and on short notice	5(a)	665,830,000	380,180,000
Investments	6(a)	22,484,125,659	15,048,539,567
Government	6.1(a)	16,113,627,582	10,925,594,003
Others	6.2(a)	6,370,498,077	4,122,945,564
Loans and advances		102,470,139,419	96,433,238,729
Loans, cash credits, overdrafts, etc	7(a)	99,504,751,956	92,395,623,505
Bills purchased and discounted	8(a)	2,965,387,463	4,037,615,224
Fixed assets including premises, furniture and fixtures	9(a)	4,568,190,907	4,087,964,621
Other assets	10(a)	8,159,748,564	6,285,838,580
Non-banking assets		-	-
Total Assets		154,404,751,243	133,706,824,450
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	11(a)	10,698,189,571	14,200,436,481
Deposits and other accounts	12(a)	115,825,485,296	94,780,200,605
Current accounts and other accounts		12,505,345,551	12,207,407,973
Bills payable		1,251,812,196	1,340,901,326
Savings bank deposits		13,949,303,799	13,061,751,527
Special notice deposits		12,742,106,761	8,820,711,007
Fixed deposits		67,763,226,169	53,387,157,876
Bearer certificates of deposit		130,325,000	130,325,000
Other deposits		7,483,365,820	5,831,945,896
Other liabilities	13(a)	12,884,286,105	10,575,562,699
Minority Interest	13(b)	(18,642,915)	3,747,308
Total Liabilities		139,389,318,058	119,559,947,093
Capital/Shareholders' Equity			
Total Shareholders' Equity		15,015,433,185	14,146,877,357
Paid-up capital	14	3,686,113,900	3,205,316,500
Statutory reserve	15	4,390,197,276	4,395,603,869
Other reserve	16(a)	1,565,712,112	1,566,130,459
Retained earnings	17(a)	5,373,409,897	4,979,826,528
Total Liabilities and Shareholders' Equity		154,404,751,243	133,706,824,450

AB Bank Limited and Its Subsidiaries

Consolidated Balance Sheet at 31 December 2011

		Amounts in Taka	
		At	At
Note		31 Dec 2011	31 Dec 2010
Off-Balance Sheet Items			
Contingent liabilities			
	18	52,595,442,736	44,484,883,051
Acceptances and endorsements		16,470,438,248	12,254,568,825
Letters of guarantee		10,810,514,210	8,210,194,977
Irrevocable letters of credit		14,554,983,345	17,349,666,037
Bills for collection		10,759,506,933	6,670,453,212
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		52,595,442,736	44,484,883,051
Other memorandum items			
Value of traveller's cheques		-	-
Value of savings certificates (sanchaya patra)		3,326,106,451	2,703,462,252

See annexed notes	
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for AB Bank Limited

-Sd-	-Sd-	-Sd-	-Sd-
M. Fazlur Rahman	Md. Mesbahul Hoque	Salim Ahmed	M. Wahidul Haque
Managing Director (Acting)	Director	Vice Chairman	Chairman

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
 Dated, 19 February 2012

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

AB Bank Limited and Its Subsidiaries
Consolidated Profit and Loss Statement for the year ended 31 December 2011

		Amounts in Taka	
		Year ended 31 Dec 2011	Year ended 31 Dec 2010
	<u>Notes</u>		
OPERATING INCOME			
Interest income	20(a)	13,795,334,719	10,716,860,160
Interest paid on deposits and borrowings, etc	21(a)	(10,472,018,460)	(6,631,922,938)
Net interest income		3,323,316,259	4,084,937,223
Investment income	22(a)	2,085,683,464	4,705,923,356
Commission, exchange and brokerage	23(a)	2,680,385,312	2,879,505,698
Other operating income	24(a)	576,612,391	334,310,001
		5,342,681,168	7,919,739,055
Total operating income (A)		8,665,997,427	12,004,676,277
OPERATING EXPENSES			
Salary and allowances	25(a)	1,761,429,031	1,854,078,494
Rent, taxes, insurance, electricity, etc	26(a)	358,174,436	295,043,296
Legal expenses	27(a)	6,767,716	14,105,546
Postage, stamps, telecommunication, etc	28(a)	113,682,711	110,220,864
Stationery, printing, advertisement, etc	29(a)	141,840,504	142,924,185
Chief executive's salary and fees		9,786,518	9,757,721
Directors' fees	30(a)	2,265,896	2,332,085
Auditors' fees	31(a)	3,106,993	2,275,617
Charges on loan losses		-	-
Depreciation and repairs of Bank's assets	32(a)	370,920,174	290,722,868
Other expenses	33(a)	953,914,686	1,050,403,723
Total operating expenses (B)		3,721,888,664	3,771,864,400
Profit before provision (C = A-B)		4,944,108,763	8,232,811,877
Provision against loans and advances	34(a)	412,372,572	775,278,129
Provision for diminution in value of investments	35(a)	1,028,949,109	148,417,573
Other provisions	36(a)	30,229,954	200,000,000
Total provision (D)		1,471,551,635	1,123,695,702
Profit before taxation (C-D)		3,472,557,128	7,109,116,175
Provision for taxation		2,082,172,078	3,119,596,201
Current tax		2,150,584,911	3,160,889,325
Deferred tax		(68,412,833)	(41,293,124)
Net profit after taxation		1,390,385,050	3,989,519,974
Appropriations			
Statutory reserve	37	-	1,264,995,146
General reserve		-	-
Dividends, etc		-	-
		-	1,264,995,146
Retained surplus		1,390,385,050	2,724,524,828
Minority Interest		(4,357,548)	(29,202,420)
Net profit attributable to the shareholders of parent company (the Bank)		1,394,742,598	2,753,727,248
Consolidated earnings per share (EPS)	38(a)	3.78	10.90
See annexed notes			

for AB Bank Limited

-Sd-	-Sd-	-Sd-	-Sd-
M. Fazlur Rahman	Md. Mesbahul Hoque	Salim Ahmed	M. Wahidul Haque
Managing Director (Acting)	Director	Vice Chairman	Chairman

Signed in terms of our report of even date annexed

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Dated, 19 February 2012

-Sd-
S. F. AHMED & CO
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AB Bank Limited and Its Subsidiaries
Consolidated Cash Flow Statement for the year ended 31 December 2011

Amounts in Taka

	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Cash flows from operating activities (A)		
Interest receipts	13,991,787,091	10,716,860,161
Interest payments	(10,668,156,527)	(6,631,922,938)
Dividend receipts	41,940,483	105,934,519
Fee and commission receipts	1,911,850,426	2,245,048,101
Recoveries on loans previously written off	80,646,113	57,140,445
Payments to employees	(1,770,817,504)	(1,813,836,216)
Payments to suppliers	(144,710,282)	(145,199,802)
Income taxes paid	(2,234,663,832)	(1,878,055,366)
Receipts from other operating activities	2,726,562,832	5,511,665,990
Payments for other operating activities	(1,505,956,656)	(1,458,094,389)
Operating profit before changes in operating assets & liabilities	2,428,482,143	6,709,540,506
Increase/decrease in operating assets and liabilities		
Loans and advances to customers	(5,957,690,403)	(24,667,029,335)
Other assets	525,619,687	1,103,167,484
Deposits from other banks	385,431,000	1,384,123,003
Deposits from customers	20,659,853,690	10,313,448,922
Trading liabilities (short-term borrowings)	(3,302,797,470)	5,785,462,831
Other liabilities	(1,433,628,025)	806,695,767
Net increase/(decrease) in operating liabilities	10,876,788,480	(5,274,131,328)
Net cash from operating activities	13,305,270,623	1,435,409,179
Cash flows from investing activities (B)		
(Purchase)/ sale of government securities	(5,185,261,479)	(1,250,291,041)
(Purchase)/ sale of trading securities, shares, bonds, etc	(2,247,552,513)	2,570,891,200
(Purchase)/ sale of property, plant and equipment	(480,225,476)	(1,169,351,819)
Net cash from/(used) in investing activities	(7,913,039,468)	151,248,340
Cash flows from financing activities (C)		
Increase/(decrease) in long-term borrowings	(200,966,829)	2,305,473,309
Dividend paid	(317,188,484)	(490,304,794)
Net cash from/(used) in financing activities	(518,155,313)	1,815,168,515
Net increase/(decrease) in cash and cash equivalents (A+B+C)	4,874,075,842	3,401,826,033
Effects of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	11,853,790,152	8,451,964,119
Cash and cash equivalents at end of the year (*)	16,727,865,994	11,853,790,152
(*) Cash and cash equivalents:		
Cash	997,917,256	793,965,044
Prize bonds	5,319,300	2,547,200
Money at call and on short notice	665,830,000	380,180,000
Balance with Bangladesh Bank and its agent bank(s)	8,363,586,338	5,821,822,643
Balance with other banks and financial institutions	6,695,213,100	4,855,275,265
	16,727,865,994	11,853,790,152
Net operating cash flow per share	36.10	3.89

See annexed notes

for AB Bank Limited

-Sd-	-Sd-	-Sd-	-Sd-
M. Fazlur Rahman	Md. Mesbahul Hoque	Salim Ahmed	M. Wahidul Haque
Managing Director (Acting)	Director	Vice Chairman	Chairman

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
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Dated, 19 February 2012

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

AB Bank Limited and Its Subsidiaries

Consolidated Statement of Changes in Equity for the year ended 31 December 2011

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 2011	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
Effects of changes in accounting policy	-	-	-	-	-	-	-	-
Dividends for 2010:								
10% cash dividend	-	-	-	-	-	-	(320,531,650)	(320,531,650)
15% stock dividend (bonus share)	480,797,400	-	-	-	-	-	(480,797,400)	-
Mumbai Branch	-	-	-	-	-	-	-	-
Restated Balance	3,686,113,900	4,395,603,869	110,939,676	1,338,065,823	103,291,453	13,833,508	4,178,497,478	13,826,345,707
Net profit after taxation for the year	-	-	-	-	-	-	1,390,385,050	1,390,385,050
Addition/(Adjustment) made during the year	-	-	-	(2,670,517)	-	(236,827)	-	(2,907,344)
AB International Finance Limited	-	-	-	-	-	-	-	-
Addition/Adjustment for Mumbai Branch	-	(2,296,725)	-	-	(10,946,749)	1,940,693	(205,681)	(11,508,462)
CBL retained earnings adjustment	-	-	-	-	-	-	(205,111,913)	(205,111,913)
Adjustment for ABIFL	-	-	-	-	-	-	-	-
Special reserve for ABIFL	-	-	10,728,156	-	-	-	-	10,728,156
Foreign exchange fluctuation	-	(3,109,868)	-	-	969,686	(202,789)	5,487,415	3,144,443
Minority Interest	-	-	-	-	-	-	4,357,548	4,357,548
Balance at 31 December 2011	3,686,113,900	4,390,197,276	121,667,832	1,335,395,306	93,314,389	15,334,585	5,373,409,897	15,015,433,185
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

for AB Bank Limited

-Sd-

M. Fazlur Rahman
Managing Director (Acting)

-Sd-

Md. Mesbahul Hoque
Director

-Sd-

Salim Ahmed
Vice Chairman

-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, 19 February 2012

-Sd-

S. F. AHMED & CO
Chartered Accountants

AB Bank Limited
Balance Sheet at 31 December 2011

		Amounts in Taka	
		At	At
Notes		31 Dec 2011	31 Dec 2010
PROPERTY AND ASSETS			
Cash	3	9,361,445,769	6,615,119,969
In hand (including foreign currencies)	3.1	997,859,431	793,297,326
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	3.2	8,363,586,338	5,821,822,643
Balance with other banks and financial institutions	4	8,162,327,476	6,299,137,869
In Bangladesh	4.1	5,660,375,607	3,883,196,975
Outside Bangladesh	4.2	2,501,951,868	2,415,940,894
Money at call and on short notice	5	665,830,000	380,180,000
Investments	6	21,556,049,158	14,562,671,613
Government	6.1	16,113,627,582	10,925,594,003
Others	6.2	5,442,421,576	3,637,077,610
Loans and advances		94,638,218,363	88,001,769,617
Loans, cash credits, overdrafts, etc	7	93,411,192,735	85,597,797,263
Bills purchased and discounted	8	1,227,025,629	2,403,972,354
Fixed assets including premises, furniture and fixtures	9	3,854,272,788	3,926,340,669
Other assets	10	14,724,693,116	12,905,984,992
Non-banking assets		-	-
Total Assets		152,962,836,671	132,691,204,730
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	11	10,248,189,572	14,200,436,481
Deposits and other accounts	12	116,151,864,140	95,701,894,525
Current accounts and other accounts		12,507,581,473	12,316,147,034
Bills payable		1,251,812,196	1,340,901,326
Savings bank deposits		13,949,303,799	13,061,751,527
Special notice deposits		12,752,426,708	9,390,226,037
Fixed deposits		68,077,049,143	53,630,597,705
Bearer certificates of deposit		130,325,000	130,325,000
Other deposits		7,483,365,820	5,831,945,896
Other liabilities	13	11,710,082,452	8,922,365,508
Total Liabilities		138,110,136,164	118,824,696,515
Capital/Shareholders' Equity			
Total Shareholders' Equity		14,852,700,507	13,866,508,216
Paid-up capital	14	3,686,113,900	3,205,316,500
Statutory reserve	15	4,390,197,276	4,395,603,869
Other reserve	16	1,485,273,794	1,497,389,984
Retained earnings	17	5,291,115,537	4,768,197,863
Total Liabilities and Shareholders' Equity		152,962,836,671	132,691,204,730

AB Bank Limited
Balance Sheet at 31 December 2011

Amounts in Taka		
<u>Notes</u>	At 31 Dec 2011	At 31 Dec 2010
Off-Balance Sheet Items		
Contingent liabilities		
18	52,595,442,736	44,484,883,051
Acceptances and endorsements	16,470,438,248	12,254,568,825
Letters of guarantee	10,810,514,210	8,210,194,977
Irrevocable letters of credit	14,554,983,345	17,349,666,037
Bills for collection	10,759,506,933	6,670,453,212
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	52,595,442,736	44,484,883,051
Other memorandum items		
	3,326,106,451	2,703,462,252
Value of traveller's cheques	-	-
Value of savings certificates (sanchaya patra)	3,326,106,451	2,703,462,252

See annexed notes	
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for AB Bank Limited

-Sd- M. Fazlur Rahman Managing Director (Acting)	-Sd- Md. Mesbahul Hoque Director	-Sd- Salim Ahmed Vice Chairman	-Sd- M. Wahidul Haque Chairman
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Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 19 February 2012

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

AB Bank Limited
Profit and Loss Statement for the year ended 31 December 2011

		Amounts in Taka	
		At	At
		31 Dec 2011	31 Dec 2010
	Notes		
OPERATING INCOME			
Interest income	20	12,830,837,754	9,840,277,194
Interest paid on deposits and borrowings, etc	21	(10,436,688,668)	(6,358,862,124)
Net interest income		2,394,149,086	3,481,415,070
Investment income	22	2,640,700,142	5,059,923,750
Commission, exchange and brokerage	23	2,213,022,264	2,117,794,565
Other operating income	24	494,874,188	238,780,449
		5,348,596,594	7,416,498,765
Total operating income (A)		7,742,745,680	10,897,913,834
OPERATING EXPENSES			
Salary and allowances	25	1,669,447,030	1,802,923,573
Rent, taxes, insurance, electricity, etc	26	338,631,469	270,663,877
Legal expenses	27	5,071,404	12,922,182
Postage, stamps, telecommunication, etc	28	104,803,234	101,739,532
Stationery, printing, advertisement, etc	29	138,246,619	139,248,504
Chief executive's salary and fees		9,786,518	9,757,721
Directors' fees	30	2,028,896	2,056,085
Auditors' fees	31	1,822,393	1,698,872
Charges on loan losses		-	-
Depreciation and repairs of Bank's assets	32	302,848,236	238,935,098
Other expenses	33	857,855,444	908,655,601
Total operating expenses (B)		3,430,541,243	3,488,601,046
Profit before provision (C = A-B)		4,312,204,437	7,409,312,788
Provision against loans and advances	34	384,672,572	709,237,082
Provision for diminution in value of investments	35	940,140,693	142,674,519
Other provisions	36	30,000,000	200,000,000
Total provision (D)		1,354,813,265	1,051,911,601
Profit before taxation (C-D)		2,957,391,172	6,357,401,188
Provision for taxation		1,629,407,467	2,661,384,083
Current tax		1,697,904,426	2,702,677,207
Deferred tax		(68,496,959)	(41,293,124)
Net profit after taxation		1,327,983,705	3,696,017,105
Appropriations			
Statutory reserve	37	-	1,264,995,146
General reserve		-	-
Dividends, etc		-	-
		-	1,264,995,146
Retained surplus		1,327,983,705	2,431,021,958
Earnings per share (EPS)	38	3.60	10.03
See annexed notes			

for AB Bank Limited

-Sd-	-Sd-	-Sd-	-Sd-
M. Fazlur Rahman	Md. Mesbahul Hoque	Salim Ahmed	M. Wahidul Haque
Managing Director (Acting)	Director	Vice Chairman	Chairman

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 19 February 2012

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

AB Bank Limited
Cash Flow Statement for the year ended 31 December 2011

		Amounts in Taka	
		Year ended 31 Dec 2011	Year ended 31 Dec 2010
Cash Flows from Operating Activities (A)			
		12,830,837,754	9,840,277,194
		(10,436,688,668)	(6,358,862,124)
		552,926,524	105,934,519
		1,436,211,995	1,483,336,968
		80,646,113	57,140,445
		(1,679,233,548)	(1,762,681,294)
		(138,246,621)	(139,248,504)
		(1,596,080,231)	(1,878,055,366)
	39	3,168,894,352	5,269,552,617
	40	(1,359,533,377)	(1,280,206,235)
Operating profit before changes in operating assets & liabilities		2,859,734,292	5,337,188,220
Increase/decrease in operating assets and liabilities			
		(6,636,448,746)	(17,121,836,172)
	41	(112,710,282)	(173,039,059)
		385,431,000	1,384,123,000
		20,064,538,616	11,230,642,412
		(3,754,244,416)	5,743,518,088
	42	(217,879,038)	75,921,681
		9,728,687,134	1,139,329,950
Net cash flow from operating activities		12,588,421,426	6,476,518,170
Cash Flows from Investing Activities (B)			
		(5,185,261,479)	(1,250,291,041)
		(1,805,343,966)	(2,284,218,074)
		(181,723,162)	(911,902,954)
Net cash used in investing activities		(7,172,328,606)	(4,446,412,069)
Cash Flows from Financing Activities (C)			
		(200,966,829)	2,305,473,309
		(317,188,484)	(490,304,794)
Net cash from/(used in) financing activities		(518,155,313)	1,815,168,515
Net increase in cash (A+B+C)		4,897,937,507	3,845,274,616
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the year		13,296,985,038	9,451,710,422
Cash and cash equivalents at end of the year (*)		18,194,922,545	13,296,985,038
(*) Cash and cash equivalents:			
		997,859,431	793,297,326
		5,319,300	2,547,200
		665,830,000	380,180,000
		8,363,586,338	5,821,822,643
		8,162,327,476	6,299,137,869
		18,194,922,545	13,296,985,038
Net operating cash flow per share		34.15	17.57

See annexed notes

for AB Bank Limited

-Sd-
M. Fazlur Rahman
Managing Director (Acting)

-Sd-
Md. Mesbahul Hoque
Director

-Sd-
Salim Ahmed
Vice Chairman

-Sd-
M. Wahidul Haque
Chairman

Signed in terms of our report of even date annexed

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Dated, 19 February 2012

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

AB Bank Limited

Statement of Changes in Equity for the year ended 31 December 2011

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 2011	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	13,866,508,214
Effects of changes in accounting policy	-	-	-	-	-	-	-	-
Dividends for 2010:								
10% cash dividend	-	-	-	-	-	-	(320,531,650)	(320,531,650)
15% stock dividend (bonus share)	480,797,400	-	-	-	-	-	(480,797,400)	-
Restated balance	3,686,113,900	4,395,603,868	42,199,200	1,338,065,823	103,291,453	13,833,508	3,966,868,813	13,545,976,564
Net profit after taxation for the year	-	-	-	-	-	-	1,327,983,705	1,327,983,705
Addition/Adjustment made during the year	-	-	-	(2,670,517)	-	(236,827)	-	(2,907,344)
Addition/(Adjustment) against Mumbai Branch	-	(2,296,725)	-	-	-	1,940,693	(205,681)	(561,713)
Foreign exchange fluctuation	-	(3,109,868)	-	-	(10,946,749)	(202,789)	(3,531,300)	(17,790,706)
Balance at 31 December 2011	3,686,113,900	4,390,197,276	42,199,200	1,335,395,306	92,344,704	15,334,585	5,291,115,537	14,852,700,507
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	13,866,508,216

for AB Bank Limited

-Sd-

M. Fazlur Rahman
Managing Director (Acting)

-Sd-

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Director

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Vice Chairman

-Sd-

M. Wahidul Haque
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Dated, 19 February 2012

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

AB Bank Limited**Liquidity Statement (Analysis of Maturity of Assets and Liabilities) at 31 December 2011**

Amounts in Taka

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	2,515,323,076	-	-	-	6,846,122,693	9,361,445,769
Balance with other banks and financial institutions	2,834,208,607	1,858,697,470	3,469,421,399	-	-	8,162,327,476
Money at call and on short notice	665,830,000	-	-	-	-	665,830,000
Investments	1,591,091,117	2,313,294,692	805,832,286	2,309,980,110	14,535,850,954	21,556,049,158
Loans and advances	25,982,574,731	26,586,296,201	13,585,273,286	24,671,862,828	3,812,211,318	94,638,218,363
Fixed assets including premises, furniture and fixtures	-	-	-	-	3,854,272,788	3,854,272,788
Other assets	2,277,640,755	2,213,681,082	4,055,925,918	-	6,177,445,361	14,724,693,116
Non-banking assets	-	-	-	-	-	-
Total Assets (A)	35,866,668,287	32,971,969,444	21,916,452,889	26,981,842,938	35,225,903,114	152,962,836,671
Liabilities						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	6,795,603,779	389,021,411	3,015,416,401	48,147,981	-	10,248,189,572
Deposits and other accounts	24,013,866,830	31,541,089,307	38,147,018,414	21,974,758,582	475,131,008	116,151,864,140
Provision and other liabilities	391,919,032	2,143,211,152	4,627,170,758	4,547,781,511	-	11,710,082,452
Total Liabilities (B)	31,201,389,641	34,073,321,869	45,789,605,573	26,570,688,074	475,131,008	138,110,136,164
Net Liquidity Excess/(Shortage) (A-B)	4,665,278,646	(1,101,352,425)	(23,873,152,684)	411,154,864	34,750,772,106	14,852,700,507

for AB Bank Limited

-Sd-

M. Fazlur Rahman
Managing Director (Acting)

-Sd-

Md. Mesbahul Hoque
Director

-Sd-

Salim Ahmed
Vice Chairman

-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, 19 February 2012-Sd-
S. F. AHMED & CO
Chartered Accountants

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

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. AB Bank Limited has 86 Branches including one (1) Islami Banking Branch, one (1) Overseas Branch in Mumbai, India. The Bank has six subsidiary companies namely AB Investment Limited, AB Securities Limited, Cashlink Bangladesh Limited, Arab Bangladesh Bank Foundation all incorporated in Bangladesh, AB International Finance Limited, incorporated in Hong Kong and AB Exchange (UK) Limited, incorporated in United Kingdom.

AB Investment Limited (ABIL) and AB Securities Limited (ABSL) were incorporated as subsidiary companies after obtaining the approvals from Bangladesh Bank following instructions of the Securities and Exchange Commission (SEC). These two subsidiaries are being put into operations to cater the merchant banking and brokerage business which were previously carried out 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 from SEC to embark upon Merchant Banking 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 Limited in accordance with the approval of Bangladesh Bank vide letter no. BRPD(R-1)717/2009-538 dated 09 December 2009 and the Securities and Exchange Commission vide letter no. Sec/Reg/MB-79/2010/73 dated 10 March 2010 for dealing the Merchant Banking business.

Brokerage business of Arab Bangladesh Bank Foundation (ABBF) was transferred on 01 August 2010 to 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 was shifted to Kakrail, Dhaka on 18 October 2006.

The Bank obtained permission to work 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 (the Foundation) which has been 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 decision of Bangladesh Bank and upon due agreement to that effect the Board of Directors of ABBL and ABBF respectively, launched a new subsidiary company AB Securities Limited for the operation of brokerage business. The business of ABBF is 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 2011

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 2011 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 (CBL), AB International Finance Limited (ABIFL), Hong Kong and AB Exchange (UK) Limited 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 2011.

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 have 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. Balance Sheet and Profit & Loss Statement 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 2011 has also been disclosed separately in Annex H.

Custodian Wing

Financial statements of Custodian Wing have been separately audited by the auditors of the Bank. Income-expenditures of Custodian Wing have been incorporated in similar heads of account of the Bank's Profit and Loss Statement. Profit and Loss Statement of Custodian Wing has been shown separately in Annex I.

Off-Shore Banking Unit (OBU)

This particular unit of the Bank started operation in year 2010. Assets-liabilities 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 (OBU) have 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 2011

AB Investment Limited (ABIL)

AB Investment Limited (ABIL) started its operation from 10 March 2010 for Merchant Banking Operation. AB Bank Limited holds 99.99% shares in ABIL.

The Balance Sheet and Profit and Loss Statement of the ABIL have been shown separately in [Annex K](#).

AB Securities Limited (ABSL)

Brokerage business of Arab Bangladesh Bank Foundation has been transferred to AB Securities Limited (ABSL) vide Bangladesh Bank approval letter BRPD(R-1)717/2009-493 dated 08 November 2009. AB Bank Limited at present holds 99.71% shares in ABSL.

The Balance Sheet and Profit and Loss Statement of the ABSL have 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. At present, AB Bank Limited acquired 30% shares of CBL during this year. The Bank at present holds 90% shares in CBL.

The Balance Sheet and Profit and Loss Statement of the CBL have 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 is 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 have been shown separately in [Annex N](#).

AB Exchange (UK) Limited

AB Exchange (UK) Limited (ABEL) is a company incorporated and domiciled in United Kingdom (UK) vide registration number is 07272766 (England & Wales). The registered office is situated at 69 Whitechapel High Street, London, E1 7PL. ABEL is a fully owned (100%) Subsidiary of AB Bank Limited.

The Balance Sheet and Profit and Loss Statement of the ABEL have been shown separately in [Annex O](#).

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 due to undergoing legal settlement process.

The Balance Sheet and Profit and Loss Statement of the ABBF have been shown separately in [Annex - P](#).

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 estimates have been revised and in the future periods affected, if applicable.

All intergroup balances, transactions, income and expenses are fully eliminated while preparing the consolidated financial statements.

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

Materiality, aggregation and offsetting

The Bank aggregates each material class of similar items and separately which are dissimilar in nature or function unless those are immaterial. The 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 2011 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 Statement, except those arising on the translation of net investment in foreign branch and subsidiaries.

Foreign operations

The results of financial statements of the Bank whose functional currency is not Bangladesh Taka are translated into Bangladesh Taka as follows:

- a. assets and liabilities for each statement of Balance Sheet have been translated at the closing rate on the date of Balance sheet.
- b. income and expenses for Profit and Loss Statement have been translated at an monthly average rate of the year; and
- 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 year. It Cash Flows during the period have been classified as 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 2011

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/ Previous trend
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 2011.
- ii Interest/ profit is calculated on a daily product basis but charged and accounted for on accrual basis. Interest/ profit on Special Mention Account (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 is 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 as per 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	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 and 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 2011

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 are booked into Profit and Loss Statement 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 mark to market weekly. Decrease in the Book 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 and market value	Any loss, charged in P&L Unrealized gain, not recognise 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

- i. 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 2011

- 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 assets 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".

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 2011

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 be transferred to Statutory Reserve until such reserve together with share premium account equals to its paid up capital. As Bank's Statutory Reserve is higher than paid up capital, Bank did not transfer any amount to Statutory Reserve in this year.

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".

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 2011

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 recognised 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 2011

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.

Minority Interest

Minority 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 Minority Interest separately in financial statements.

Profit or loss and each component of other shareholders equity are attributed to the owners of the parent and to the Minority Interest. Total shareholders equity is attributed to the owners of the parent and to the Minority Interest even if this result in the Minority 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 income 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 gains are recognized when these are 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 2011

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 2011.

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. EPS of previous was restated giving effect of issue of bonus shares for 2010.

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 balances of letters of credit, guarantee and acceptance as at 31 December 2011.

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 2011. Segmental reporting period shown in below:

Sl no.	Name of the entity	Reporting period
1	AB Bank Limited	01 January 2011 to 31 December 2011
2	Off Shore Banking Unit	01 January 2011 to 31 December 2011
3	AB Investment Limited	01 January 2011 to 31 December 2011
4	AB Securitites Limited	01 January 2011 to 31 December 2011
5	Cashlink Bangladesh Limited	01 January 2011 to 31 December 2011
6	AB International Finance Limited	01 January 2011 to 31 December 2011
7	AB Exchange (UK) Limited	01 January 2011 to 31 December 2011

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

Particulars	AB Bank Limited							Subsidiaries					Adjustment	AB Bank and its Subsidiaries
	Inside Bangladesh				India (Mumbai Branch)	Adjustment	Total	Inside Bangladesh			AB Exchange (UK) Ltd	AB Int. Finance Ltd (Hong Kong)		
	Conventional Banking	Islami Banking	Investment Banking	Off-Shore Banking Unit				AB Investment Limited	AB Securities Ltd	Cash Link Bangladesh Ltd				
Income Statements														
Interest income	11,989,377,216	755,947,030	-	28,636,416	58,299,900	(1,422,809)	12,830,837,754	855,419,891	169,651,695	35,304,098	-	98,428,016	(194,306,734)	13,795,334,719
Interest paid on deposits and borrowings, etc.	9,379,468,293	534,197,409	499,694,124	16,690,869	8,060,783	(1,422,809)	10,436,688,668	148,396,065	64,576,880	3,667,005	-	15,924,230	(197,234,387)	10,472,018,461
Net interest income	2,609,908,924	221,749,622	(499,694,124)	11,945,547	50,239,117	-	2,394,149,086	707,023,826	105,074,814	31,637,093	-	82,503,786	2,927,653	3,323,316,259
Investment income	2,426,251,329	240,212	198,420,488	-	15,788,114	-	2,640,700,142	2,804,284	49,942,963	2,687,901	-	-	(610,451,826)	2,085,683,464
Commission, exchange and brokerage	1,869,393,448	49,214,735	-	10,688,727	283,725,354	-	2,213,022,264	334,125,356	99,298,421	12,502,314	704,462	28,744,481	(8,011,985)	2,680,385,312
Other operating income	495,666,746	127,325	-	151,391	3,545,206	(4,616,480)	494,874,188	14,107,745	2,802,123	34,273,690	-	42,741,498	(12,186,853)	576,612,391
Total operating income	7,401,220,446	271,331,894	(301,273,636)	22,785,666	353,297,791	(4,616,480)	7,742,745,680	1,058,061,211	257,118,321	81,100,999	704,462	153,989,764	(627,723,011)	8,665,997,426
OPERATING EXPENSES														
Salary and allowances	1,639,848,240	18,831,296	71,125	1,447,172	19,035,714	-	1,679,233,548	19,799,282	23,544,602	15,435,463	4,499,046	28,703,609	-	1,771,215,549
Rent, taxes, insurance, electricity, etc.	310,076,816	1,007,988	-	-	27,763,145	(216,480)	338,631,469	6,936,509	7,253,299	5,414,195	3,840,415	5,357,748	(9,259,200)	358,174,436
Legal expenses	4,904,307	-	-	-	167,097	-	5,071,404	596,500	221,125	156,750	-	721,937	-	6,767,716
Postage, stamps, telecommunication, etc.	96,504,099	313,663	805	24,244	7,960,424	-	104,803,234	936,024	1,859,960	800,147	168,913	5,114,432	-	113,682,711
Stationery, printing, advertisement, etc.	132,258,866	1,645,950	30,834	-	4,310,969	-	138,246,619	802,111	717,896	116,559	1,468,888	488,431	-	141,840,504
Directors' fees	1,921,859	107,037	-	-	-	-	2,028,896	103,500	103,500	30,000	-	-	-	2,265,896
Auditors' fees	1,492,113	-	-	-	330,281	-	1,822,393	83,600	57,250	150,000	706,583	287,167	-	3,106,993
Charges on loan losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and repairs of Bank's assets	285,017,320	2,744,062	561,341	-	14,525,514	-	302,848,236	3,495,996	5,517,917	56,620,922	2,050,154	386,949	-	370,920,174
Other expenses	761,771,738	5,734,504	12,394,825	98,906	82,255,470	(4,400,000)	857,855,444	27,299,544	22,266,970	48,401,789	3,804,619	2,298,305	(8,011,985)	953,914,686
Total operating expenses	3,233,795,358	30,384,498	13,058,930	1,570,323	156,348,614	(4,616,480)	3,430,541,243	60,053,066	61,542,520	127,125,824	16,538,617	43,358,579	(17,271,185)	3,721,888,664
Profit before provision	4,167,425,089	240,947,395	(314,332,566)	21,215,343	196,949,177	-	4,312,204,437	998,008,145	195,575,801	(46,024,825)	(15,834,155)	110,631,185	(610,451,826)	4,944,108,762
Provision against loans and advances							384,672,572							412,372,572
Provision for diminution in value of investments							940,140,693							1,028,949,109
Other provisions							30,000,000							30,229,954
Total provision							1,354,813,265							1,471,551,635
Profit before taxation							2,957,391,172							3,472,557,128
Provision for taxation							1,629,407,467							2,082,172,078
Net profit after taxation							1,327,983,705							1,390,385,050

Balance Sheet

Particulars	AB Bank Limited						Subsidiaries					Adjustment	AB Bank and its Subsidiaries
	Inside			India (Mumbai Branch)	Adjustment	Total	Inside Bangladesh			AB Exchange (UK) Ltd	AB Int. Finance Ltd (Hong Kong)		
	Conventional Banking	Islami Banking	OBU				AB Investment Limited	AB Securities Ltd	Cash Link Bangladesh Ltd				
PROPERTY AND ASSETS													
Cash	9,261,474,391	96,259,757	-	3,711,621	-	9,361,445,769	25,000	17,066	15,759	-	-	-	9,361,503,594
Balance with other banks and financial institutions	2,550,237,884	5,845,039,088	2,910,243	267,995,790	(503,855,529)	8,162,327,476	189,412	8,578,128	320,469,489	3,407,035	4,379,437	(1,804,137,877)	6,695,213,100
Money at call and on short notice	550,000,000	-	-	115,830,000	-	665,830,000	-	-	-	-	-	-	665,830,000
Investments	21,238,441,934	87,100,000	-	250,427,224	(19,920,000)	21,556,049,158	740,822,855	154,403,988	32,849,658	-	-	-	22,484,125,659
Loans and advances	90,985,758,234	2,338,652,223	519,823,302	793,984,604	-	94,638,218,363	7,259,150,528	1,033,108,643	-	-	1,738,361,834	(2,198,699,950)	102,470,139,419
Fixed assets	3,812,736,480	11,903,316	-	29,632,992	-	3,854,272,788	568,020,639	20,743,096	110,995,128	13,671,685	487,572	-	4,568,190,907
Other assets	14,575,405,690	134,542,544	96,206	473,538,000	(458,889,323)	14,724,693,117	308,584,803	59,680,487	27,904,626	1,128,526	6,495,911	(6,968,738,910)	8,159,748,564
Non-banking assets													
Total Assets	142,974,054,612	8,513,496,928	522,829,751	1,935,120,231	(982,664,852)	152,962,836,671	8,876,793,237	1,276,531,407	492,234,660	18,207,246	1,749,724,754	(10,971,576,736)	154,404,751,243
LIABILITIES AND CAPITAL													
Liabilities													
Borrowings from other banks, financial institutions and agents	6,746,374,784	3,050,792,894	475,647,022	-	(24,625,128)	10,248,189,572	2,370,888,983	277,810,967	-	-	1,473,335,528	(3,672,035,477)	10,698,189,571
Deposits and other accounts	110,619,850,098	5,457,840,307	23,924,640	569,940,827	(519,691,732)	116,151,864,140	-	-	-	-	-	(326,378,844)	115,825,485,296
Other liabilities	11,319,348,180	4,863,728	-	385,870,544	-	11,710,082,452	734,241,169	575,761,423	686,342,416	34,640,607	83,823,692	(940,605,659)	12,884,286,100
Minority Interest	-	-	-	-	-	-	-	-	-	-	-	(18,642,915)	(18,642,915)
Total Liabilities	128,685,573,062	8,513,496,928	499,571,662	955,811,371	(544,316,860)	138,110,136,163	3,105,130,152	853,572,389	686,342,416	34,640,607	1,557,159,220	(4,957,662,894)	139,389,318,058
Total Shareholders' Equity	14,288,481,550	-	23,258,089	979,308,860	(438,347,992)	14,852,700,507	5,771,663,085	422,959,017	(194,107,755)	(16,433,361)	192,565,534	(6,013,913,842)	15,015,433,185
Total Liabilities and Shareholders' Equity	142,974,054,612	8,513,496,928	522,829,751	1,935,120,231	(982,664,852)	152,962,836,671	8,876,793,237	1,276,531,407	492,234,660	18,207,246	1,749,724,754	(10,971,576,736)	154,404,751,243

AB Bank Limited**Notes to financial statements for the year ended 31 December 2011****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:

Sl no.	Name of BAS	No. of BAS	Status
1	Presentation of Financial Statements	1	Complied
2	Inventories	2	Complied
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	*
13	The Effects of Changes in Foreign Exchanges Rates	21	Complied
14	Borrowing Costs	23	Complied
15	Related Party Disclosures	24	Complied
16	Accounting and Reporting by Retirement Benefit Plans	26	Complied
17	Consolidated and Separate Financial Statements	27	Complied
18	Investments in Associates	28	Complied
19	Interests in Joint Ventures	31	Complied
20	Financial Instruments: Presentation	32	**
21	Earnings Per Share	33	Complied
22	Interim Financial Reporting	34	Complied
23	Impairment of Assets	36	Complied
24	Provisions, Contingent Liabilities and Contingent Assets	37	Complied
25	Intangible Assets	38	Complied
26	Financial Instruments: Recognition and Measurement	39	**
27	Investment Property	40	Complied
28	Agriculture	41	*

* Not applicable

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

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

* 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:

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

1.14 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 divisions have been formed within the Credit Division. These are (a) Credit Risk Management Division and (b) Credit Administration Division. Credit Risk Management Division is entrusted with the duties of maintaining asset quality, assessing risk in lending to a particular customer, sanctioning credit, formulating policy / strategy for lending operation, etc. Adequate provision has been made on classified loans / investments.

A thorough assessment is done before sanction of any credit facility at Credit Risk Management Division. 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 Division 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.

Operational 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. Adequate provision was maintained by the Bank for diminution of market value of Investment.

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) Division 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 Environment Risk Management (ERM)

Bangladesh Bank issued Guidelines on Environment Risk Management (ERM) to streamline solutions for managing the environmental risks in the financial sector – Ref: BRPD Circular No.01/2011 dated 30.01.2011 and BRPD Circular no.02 dated 27 February, 2011 respectively. Bank accordingly introduced the Guideline on Environment Risk Management on June 15, 2011. These ERM guidelines are an attempt to incorporate the environmental impact of a business into the lending process, so that the environment gets due consideration in the appraisal process.

Environmental risk is a facilitating element of credit risk arising from such environmental issues. These can be due to environmental impacts caused by and / or due to the prevailing environmental conditions. These increase risks as they bring an element of uncertainty or possibility of loss in the context of a financing transaction.

The Bank is complying with Bangladesh Bank Guidelines to the above effect from time to time and reporting activities on ERM and Green Banking every quarter.

1.16 Credit Rating of the Bank

Credit rating of the Bank in last four years are:

Year	Date of Rating	Long term	Short term
Jan to Dec 2010	26 May 2011	AA ₃	ST-2
Jan to Dec 2009	15 June 2010	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

1.17 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.

1.18 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 2011

- (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 contract	Name of the Party	Name of Director and Related by	Relationship
Lease agreement with AB Bank Ltd (Card Department)	Elite International Ltd	Salim Ahmed & Feroz Ahmed	Common Director

b) Related party transactions:

Name of related party	Relationship	Nature of transaction	Amount
Hyundai Motors Bangladesh Ltd	Common Director's	Repair & Maintenance	2,149,023
Elite International Ltd	Common Director's	Rent of Godown	750,000

1.19 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. 08 dated 19 June 2011 issued by Bangladesh Bank. The Committee was formed comprising 5 (five) members of the Board.

Sl no.	Name	Status with Bank	Status with Committee	Duration	Educational/ Professional 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)
4	Mr. M.A. Awal	Director	Member	With effect from 12 July 2011	B.Com.
5	Mr. Syed Afzal Hasan Uddin	Director	Member	With effect from 12 July 2011	Barrister-at-Law

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

ii) Meeting held with Audit Committee

During the year 2011, audit committee had 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 2011; 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 organisation.

1.20 Shariah Council

Members of AB Bank Shariah Supervisory Committee are as under:

Sl no.	Name	Status with the Committee	Educational/ Professional Qualification
1	Mr. Shah Abdul Hannan	Chairman	Masters in Economics from Dhaka University & Scholar of Islamic Studies
2	Mr. M. Azizul Haque	Vice-Chairman	M.A (Economics), Dhaka University & Scholar of Islamic Banking
3	Dr. Md. Harun Rashid	Member	M.A, M. Phil Ph.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 2011, AB Bank Shariah Supervisory Committee met in 3 (three) meetings. In those meetings, different issues were discussed and prudent guidances/opinions were given among which the important ones are as under:

- Review of the Shariah Audit 2010 Report of Islami Banking Branch and its observations.
- Review of the Shariah Audit from 01 January to 30 June 2011 of Islami Banking Branch and its observations.
- Approval of 1(one) new product as Mudaraba Monthly Profit Payment Deposit (MMPPD) Account.
- Approval of the final accounts of AB Bank Islami Banking Branch for the year 2010.
- AB Bank Shariah Council was renamed as 'AB Bank Shariah Supervisory Committee' following the 'Guidelines for Islami Banking' issued by Bangladesh Bank.

2. General

- i. 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.
- ii. Figures in these notes and in the annexed financial statements have been rounded off to the nearest Taka.
- iii. 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 2011
Balance Sheet

	Amounts in Taka		
	At 31 Dec 2011	At 31 Dec 2010	
3. Cash			
Cash in hand (note 3.1)	997,859,431	793,297,326	
Balance with Bangladesh Bank and its agent bank(s) (note 3.2)	8,363,586,338	5,821,822,643	
	9,361,445,769	6,615,119,969	
3(a) Consolidated Cash			
AB Bank Limited	9,361,445,769	6,615,119,969	
AB Investment Limited	25,000	-	
AB International Finance Limited	-	-	
AB Securities Limited	17,066	13,513	
Cashlink Bangladesh Limited	15,759	654,205	
AB Exchange (UK) Limited	-	-	
	9,361,503,594	6,615,787,687	
3.1 Cash in hand			
In local currency	980,407,006	769,435,241	
In foreign currency	17,452,425	23,862,085	
	997,859,431	793,297,326	
3.1(a) Consolidated Cash in hand			
AB Bank Limited	997,859,431	793,297,326	
AB Investment Limited	25,000	-	
AB International Finance Limited	-	-	
AB Securities Limited	17,066	13,513	
Cashlink Bangladesh Limited	15,759	654,205	
AB Exchange (UK) Limited	-	-	
	997,917,256	793,965,044	
3.2 Balance with Bangladesh Bank and its agent bank(s)			
Balance with Bangladesh Bank			
In local currency (Note 3.2.1)	6,846,122,693	5,238,293,054	
In foreign currency	1,037,168,511	166,633,259	
	7,883,291,204	5,404,926,313	
Sonali Bank Limited (as an agent bank of Bangladesh Bank)			
- local currency	480,295,134	416,896,330	
	8,363,586,338	5,821,822,643	
3.2.1 Balance with Bangladesh Bank- Local Currency			
	Debit	Credit	Total
Balance as per Bank ledger			6,846,122,693
Unresponded entries:			
As per Bangladesh Bank statements	2,994,086	258,225	(2,735,861)
As per AB Bank ledger	113,000,000	540,000	(112,460,000)
Balance as per Bangladesh Bank			6,730,926,832
3.2(a) Consolidated Balance with Bangladesh Bank and its agent bank(s)			
AB Bank Limited	8,363,586,338		5,821,822,643
AB Investment Limited	-		-
AB International Finance Limited	-		-
AB Securities Limited	-		-
Cashlink Bangladesh Limited	-		-
AB Exchange (UK) Limited	-		-
	8,363,586,338		5,821,822,643

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 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 and 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, debentures, cash in hand, balance with Sonali Bank (as agent bank) and 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)

As per Bangladesh Bank MPD Circular No. 04 dated December 01, 2010, Bank has to maintain CRR @ 6 % on fortnightly cumulative average basis and minimum CRR @ 5.5 % on daily basis.

	Amounts in Taka	
	At 31 Dec 2011	At 31 Dec 2010
i. Daily Bank's CRR maintenance		
Required reserve (5.5% of total time & demand liabilities)	6,275,015,890	4,673,993,848
Actual reserve maintained	6,740,366,828	5,352,051,425
Surplus	465,350,938	678,057,577

As per Bank ledger, balance with Bangladesh Bank (local currency) is Taka 675,25,62,690. While as per Bangladesh Bank Statements the balance is Taka 6,637,366,828. TT in transit is Taka 10,30,00,000 (net). Difference between the balance as per Bank ledger and as per the Bangladesh Bank Statement is properly reconciled and adjusted accordingly.

ii. Fortnightly Bank's CRR maintenance

As per Bangladesh Bank MPD Circular No. 04 dated December 01, 2010, Bank has to maintain 6 % CRR on fortnightly cumulative average basis.

Required reserve (6% of total time & demand liabilities)	116,373,021,960	5,098,902,320
Actual reserve maintained	120,511,373,157	5,397,687,882
Surplus	4,138,351,197	298,785,562

(b) Statutory Liquidity Reserve (SLR)

Required reserve (19% of total time & demand liabilities)	21,677,327,620	16,146,524,190
Actual reserve maintained	24,233,275,107	17,427,445,225
Total surplus	2,555,947,487	1,280,921,035

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 6.21% and 21.24% respectively at the year end.

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 :

	Amounts in Taka	
	At 31 Dec 2011	At 31 Dec 2010
(a) Cash Reserve Ratio (CRR)		
Required reserve	92,129,910	39,049,000
Actual reserve maintained	93,560,004	42,092,431
Surplus	1,430,094	3,043,431
(b) Statutory Liquidity Reserve (SLR)		
Required reserve	268,712,240	39,049,000
Actual reserve maintained	274,220,008	83,092,431
Total surplus	5,507,768	44,043,431

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 Regulation Act 1949, Section 42(2) of the Reserve Bank of India (RBI) Act 1934 and RBI circular no. DBOD.No.RET.BC.13/12.01.001/2011- 12.

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	10,904,757	14,159,463
Actual reserve maintained	25,398,765	27,918,117
Surplus	14,494,008	13,758,654
(b) Statutory Liquidity Reserve (SLR)		
Required reserve	136,677,155	135,295,482
Actual reserve maintained	202,550,824	163,091,978
Surplus	65,873,669	27,796,496
Total required reserve	147,581,912	149,454,945
Total actual reserve held	227,949,589	191,010,095
Total surplus	80,367,677	41,555,150
4. Balance with other banks and financial institutions		
In Bangladesh (note 4.1)	5,660,375,607	3,883,196,975
Outside Bangladesh (note 4.2)	2,501,951,869	2,415,940,894
	8,162,327,476	6,299,137,869

AB Bank Limited**Notes to financial statements for the year ended 31 December 2011**

Amounts in Taka		
At	At	
31 Dec 2011	31 Dec 2010	
4(a) Consolidated balance with other banks and financial institutions		
In Bangladesh (note: 4.1(a))	5,664,958,585	3,883,196,975
Outside Bangladesh (Nostro Accounts) (note 4.2(a))	1,030,254,515	972,078,290
	6,695,213,100	4,855,275,265

4.1 In Bangladesh**Current Deposits**

Standard Chartered Bank, Dhaka City Centre Branch	905,043	4,109,642
Agrani Bank Ltd, Laldighir Par Branch, Modhuban, Sylhet	10,000	53,068
Agrani Bank Ltd, Brahmanbaria Branch	55	55
Agrani Bank Ltd, Principal Branch, Dilkusha, Dhaka	24,885	24,885
Islami Bank Bangladesh Ltd, Local Office	2,727	2,727
Agrani Bank Ltd, Bhairab Bazar Branch	10,000,534	5,001,109
Janata Bank Ltd, Jessore Branch	15,078	12,072
Agrani Bank Ltd, Shaheb Bazar Branch, Rajshahi	-	5,000
Agrani Bank Ltd, Mymensingh Branch	26,466,165	30,019,409
Bangladesh Krishi Bank, Barishal	-	3,079,003
Agrani Bank Ltd, Barishal Branch	-	36,265,640
Janata Bank Ltd, Barishal Branch	-	7,445
Sonali Bank Ltd, Local Office, Dhaka	68,662,323	49,744,778
Janata Bank, Rajshahi Branch	-	1,000
IFIC Bank Ltd, Rajshahi Branch	840	1,340
RAKUB, Rajshahi Branch	-	364
Rupali Bank Ltd, Rajshahi Branch	9,875	1,500
Janata Bank Ltd, Rangpur Branch	5,149,557	10,734,063
RAKUB, Rangpur Branch	11,548,582	2,013,652
Rupali Bank Ltd, Rangpur Branch	1,847	647
Trust Bank Ltd, Principal Branch, Dhaka	-	784,109
Bank Asia Ltd, Principal Branch	-	505,200
BRAC Bank Ltd, Gulshan Branch	87,239	1,361,738
Rupali Bank Ltd, Bogra Branch, Bogra	5,000,000	-
Janata Bank Ltd, Chapai Nawabganj Branch	1,000	-
Standard Bank Ltd, Rajshahi Branch	10,000	-
	127,895,750	143,728,445

AB Bank Limited**Notes to financial statements for the year ended 31 December 2011**

	Amounts in Taka	
	At 31 Dec 2011	At 31 Dec 2010
Short Notice Deposits		
Agrani Bank Ltd, Rangpur Branch	6,647,779	24,452,704
Agrani Bank Ltd, Saidpur Branch	48,181,079	3,384,768
Agrani Bank Ltd, Modhuban Branch, Sylhet	32,721	42,359
Agrani Bank Ltd, Bogra Branch	20,012,562	17,507,812
Agrani Bank Ltd, Jhikargachha Branch	3,011	33,586
Agrani Bank Ltd, Sir Iqbal Road Branch, Khulna	69,910	59,019
Agrani Bank Ltd, Naogaon Branch	36,189,694	1,394,099
Islami Bank Bangladesh Ltd	62,932	61,132
Agrani Bank Ltd, Jessore Branch	35,292,417	7,662,419
Agrani Bank Ltd, Moulvi Bazar Branch	2,101,349	2,972
Agrani Bank Ltd, Satkhira Branch	9,827	9,999
Agrani Bank Ltd, Court Road Branch, Narayanganj	2,499	3,820
Agrani Bank Ltd, Chawk Bazar Branch, Barisal	1,716,737	-
Southeast Bank Ltd, Principal Branch	48,120	48,120
Agrani Bank Ltd, Local Office	20,086	706
Bank Asia Ltd, Shantinagar Branch	1,161,708	1,099,528
First Security Islami Bank Ltd	6,798,458	10,000,000
The Trust Bank Ltd, Corporate Branch, Dilkusha, Dhaka	784,109	-
Bangladesh Krishi Bank, Barisal	34,347	-
Janata Bank Ltd, Barishal Branch	6,403	-
Standard Chartered Bank, Dhaka City Centre Branch	1,045,033	-
EXIM Bank Ltd	4,143,850	-
Al-Arafah Islami Bank Ltd	29,986,550	-
Southeast Bank Ltd, Islami Banking Branch	598,354	-
	194,949,533	65,763,043
Savings Deposits		
Social Islami Bank Ltd, Principal Branch	5,120,389	173,002,885
Shahjalal Islami Bank Ltd, Foreign Exchange Branch	212,409,936	702,602
	217,530,325	173,705,488
Fixed Deposits		
The Premier Bank Ltd	1,400,000,000	1,400,000,000
Hajj Finance Company Ltd	270,000,000	100,000,000
Southeast Bank Ltd, Islami Banking Branch	500,000,000	200,000,000
First Security Islami Bank Ltd	800,000,000	700,000,000
Shahjalal Islami Bank Ltd	400,000,000	400,000,000
Social Islami Bank Ltd	400,000,000	400,000,000
Phoenix Finance and Investment Ltd	550,000,000	300,000,000
Al-Arafah Islami Bank Ltd	100,000,000	-
EXIM Bank Ltd	500,000,000	-
ICB Islamic Bank Ltd	200,000,000	-
	5,120,000,000	3,500,000,000
	5,660,375,607	3,883,196,975

AB Bank Limited**Notes to financial statements for the year ended 31 December 2011**

	Amounts in Taka	
	At 31 Dec 2011	At 31 Dec 2010
4.1(a) Consolidated in Bangladesh		
AB Bank Limited	5,660,375,607	3,883,196,975
AB Investment Limited	189,412	95,961,044
AB International Finance Limited	-	-
AB Securities Limited	8,578,128	569,515,031
Cashlink Bangladesh Limited	320,469,489	252,017,682
AB Exchange (UK) Limited	-	-
	5,989,612,636	4,800,690,731
<u>Less: Inter-company transaction</u>	324,654,051	917,493,756
	5,664,958,585	3,883,196,975
4.2 Outside Bangladesh		
Current Deposits		
The Bank of Tokyo Mitsubishi Ltd	2,841,608	2,246,061
HSBC Plc	11,138,000	5,831,509
HSBC (Mumbai)	1,740,309	12,240,094
JP Morgan Chase Bank	155,483,979	80,083,990
Sonali Bank (Kolkata)	6,585,164	3,039,892
Sonali Bank (UK)	6,033,216	-
Myanmar Economic Bank	33,491	29,007
Citibank NA	49,650,321	47,113,037
Hatton National Bank Ltd	1,719,073	1,982,591
Commerz Bank AG	9,654,917	828,587
AB International Finance Ltd	1,667,529,020	1,614,508,154
State Bank of India	1,284,518	1,112,562
NIB Bank Ltd	2,972,857	7,685,032
Mashreq Bank Psc	36,477,538	9,010,780
Nepal Bangladesh Bank Ltd	1,520,091	3,354,190
Bank of Bhutan	16,115,978	15,831,217
HSBC Plc	-	2,215,325
BCCI	138,509	119,967
Wachovia Bank/Wells Fargo N.A	34,484,701	24,363,090
Habib America Bank	47,649,175	2,267,015
Commerz Bank AG	13,521,223	41,514,448
Hypovereins Bank	3,894,185	8,939,318
HSBC, Karachi	40,627,540	53,114,236
National Commercial Bank Ltd	50,267,587	46,566,382
Habib Metro Bank	2,894,000	1,013,510
U.B.A.F-BANQUES	1,618,174	1,401,552
Habib Bank AG	811,753	703,067
HSBC, New York	67,206,488	-
UBAF (Hong Kong) Limited	62,664	17,986,970
Reserve Bank of India	25,398,765	25,092,817
HDFC Bank	14,614,256	36,025,231
Central Bank of India	286,782	292,698
Commerz Bank AG (Euro)	963,014	5,138,735
HSBC (Euro)	5,776,708	2,646,580
HSBC (GBP)	2,654,187	850,541
HSBC (USD)	2,874,266	35,355,011
HSBC (ACUD)	147,870,555	197,665,269
JP Morgan Chase Bank	67,557,257	107,772,429
	2,501,951,868	2,415,940,894

Details are given in Annex - A.

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

	Amounts in Taka	
	At 31 Dec 2011	At 31 Dec 2010
4.2(a) Consolidated Outside Bangladesh (Nostro Accounts)		
AB Bank Limited	2,501,951,869	2,415,940,894
AB International Finance Limited	4,379,437	4,206,723
AB Investment Limited	-	-
AB Securities Limited	-	-
Cashlink Bangladesh Limited	-	-
AB Exchange (UK) Limited	3,407,035	-
	2,509,738,340	2,420,147,618
<u>Less: Inter-company transactions</u>	1,479,483,826	1,448,069,328
	1,030,254,515	972,078,290
4.3 Account-wise/grouping of balance with other banks and financial institutions		
Current deposits	2,629,847,618	2,559,669,339
Savings deposits	217,530,325	173,705,488
Short Notice Deposit	194,949,533	65,763,043
Fixed deposits	5,120,000,000	3,500,000,000
	8,162,327,476	6,299,137,870
4.4 Maturity grouping of balance with other banks		
Repayable – on demand	2,834,208,607	2,559,669,339
– upto 3 months	1,858,697,470	1,239,468,531
– over 3 months but below 1 year	3,469,421,399	2,500,000,000
– over 1 year but below 5 years	-	-
– over 5 years	-	-
	8,162,327,476	6,299,137,870
5. Money at call and on short notice		
In Bangladesh (note 5.1)	550,000,000	270,000,000
Outside Bangladesh (note 5.2)	115,830,000	110,180,000
	665,830,000	380,180,000
5.1 In Bangladesh		
<u>With banking companies</u>		
United Commercial Bank Ltd	100,000,000	-
Prime Bank Ltd	450,000,000	-
	550,000,000	-
<u>With non-banking financial institutions</u>		
People's Leasing and Financial Services Ltd	-	140,000,000
First Lease International Ltd	-	80,000,000
Bay Leasing Company Ltd	-	50,000,000
	-	270,000,000
	550,000,000	270,000,000
<u>At short notice</u>	-	-
<u>On calls and placements</u>		
United Commercial Bank Ltd	100,000,000	-
Prime Bank Ltd	450,000,000	-
People's Leasing and Financial Services Ltd	-	140,000,000
First Lease International Ltd	-	80,000,000
Bay Leasing Company Ltd	-	50,000,000
	550,000,000	270,000,000
	550,000,000	270,000,000

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

		Amounts in Taka	
		At	At
		31 Dec 2011	31 Dec 2010
5.2	Outside Bangladesh		
	<u>At short notice</u>		
	HDFC Bank Limited, India	84,942,000	78,700,000
	<u>On calls and placements</u>		
	Other Commercial Banks	30,888,000	31,480,000
		115,830,000	110,180,000
5(a)	Consolidated Money at call and on short notice		
	AB Bank Limited	665,830,000	380,180,000
	AB Investment Limited	-	-
	AB International Finance Limited	-	-
	AB Securities Limited	-	-
	Cashlink Bangladesh Limited	-	-
	AB Exchange (UK) Limited	-	-
		665,830,000	380,180,000
6.	Investments		
	Nature wise:		
	Held for Trading	10,413,530,336	6,515,849,902
	Held to Maturity	5,838,105,169	4,341,196,898
	Others	5,304,413,653	3,705,624,813
		21,556,049,158	14,562,671,613
	Claim Nature wise:		
	Government securities (note 6.1)	16,113,627,582	10,925,594,003
	Other investments (note 6.2)	5,442,421,576	3,637,077,610
		21,556,049,158	14,562,671,613
6 (a)	Consolidated investments		
	AB Bank Limited	21,556,049,158	14,562,671,613
	AB International Finance Limited	-	-
	AB Investment Limited	740,822,855	241,876,552
	AB Securities Limited	154,403,988	72,211,459
	Cashlink Bangladesh Limited (CBL)	32,849,658	171,779,943
	AB Exchange (UK) Limited	-	-
		22,484,125,659	15,048,539,567
6.1	Government securities		
	Treasury bills	187,966,596	1,301,107,246
	Treasury bonds (note: 6.1.1)	15,813,241,686	9,555,939,557
	Debentures - Bangladesh House Building Finance Corporation (Maturity date: 14 March 2015, interest rate: 5.50%)	20,000,000	25,000,000
	Bangladesh Bank Islami Investment Bond	87,100,000	41,000,000
	Prize bonds	5,319,300	2,547,200
	Total Government securities	16,113,627,582	10,925,594,003

AB Bank Limited
Notes to financial statements for the year ended 31 December 2011

Amounts in Taka

6.1.1 Treasury bonds

Type	Rate	Maturity Date	Amounts in Taka	
			At 31 Dec 2011	At 31 Dec 2010
05 Years BD Govt. Treasury Bond	7.50%	04/10/2011	-	100,140,100
05 Years BD Govt. Treasury Bond	7.50%	06/12/2011	-	200,339,942
05 Years BD Govt. Treasury Bond	7.50%	09/20/2011	-	200,347,559
05 Years BD Govt. Treasury Bond	7.50%	04/18/2012	-	301,500,534
05 Years BD Govt. Treasury Bond	10.82%	07/18/2012	-	306,151,552
05 Years BD Govt. Treasury Bond	10.74%	09/19/2012	102,174,365	264,207,988
05 Years BD Govt. Treasury Bond	10.69%	10/17/2012	30,690,588	31,718,591
05 Years BD Govt. Treasury Bond	10.65%	11/21/2012	152,529,425	155,904,533
05 Years BD Govt. Treasury Bond	10.65%	12/19/2012	102,736,811	106,098,507
05 Years BD Govt. Treasury Bond	10.14%	05/20/2014	100,090,115	100,114,554
05 Years BD Govt. Treasury Bond	7.81%	01/20/2015	-	159,776,681
05 Years BD Govt. Treasury Bond	7.82%	02/17/2015	-	79,849,367
05 Years BD Govt. Treasury Bond	7.85%	03/18/2015	156,166,888	157,136,326
05 Years BD Govt. Treasury Bond	7.86%	04/21/2015	6,148,626	6,185,955
05 Years BD Govt. Treasury Bond	7.88%	07/21/2015	279,500,000	278,350,751
05 Years BD Govt. Treasury Bond	7.88%	08/18/2015	270,700,000	269,332,348
05 Years BD Govt. Treasury Bond	7.96%	10/20/2015	42,790,978	43,078,002
05 Years BD Govt. Treasury Bond	8.25%	02/17/2016	400,000,000	-
05 Years BD Govt. Treasury Bond	8.26%	04/20/2016	300,000,000	-
05 Years BD Govt. Treasury Bond	8.26%	06/22/2016	400,000,000	-
05 Years BD Govt. Treasury Bond	8.26%	07/06/2016	243,300,000	-
05 Years BD Govt. Treasury Bond	8.30%	08/03/2016	43,407,103	-
10 Years BD Govt. Treasury Bond	12.19%	07/04/2017	405,666,620	414,609,597
10 Years BD Govt. Treasury Bond	12.15%	08/08/2017	140,774,453	143,742,246
10 Years BD Govt. Treasury Bond	11.74%	12/05/2017	20,000,000	20,000,000
10 Years BD Govt. Treasury Bond	11.74%	01/02/2018	450,000,000	450,000,000
10 Years BD Govt. Treasury Bond	11.72%	02/06/2018	282,000,000	282,000,000
10 Years BD Govt. Treasury Bond	11.72%	04/02/2018	207,500,000	207,500,000
10 Years BD Govt. Treasury Bond	11.72%	05/07/2018	578,108,000	580,798,576
10 Years BD Govt. Treasury Bond	11.72%	06/04/2018	150,000,000	150,000,000
10 Years BD Govt. Treasury Bond	11.72%	07/02/2018	497,500,000	497,500,000
10 Years BD Govt. Treasury Bond	11.72%	08/06/2018	614,165,710	615,710,721
10 Years BD Govt. Treasury Bond	11.72%	09/03/2018	514,970,186	516,277,973
10 Years BD Govt. Treasury Bond	11.72%	10/08/2018	174,537,939	176,725,165
10 Years BD Govt. Treasury Bond	11.72%	02/04/2019	873,816,032	882,387,351
10 Years BD Govt. Treasury Bond	11.72%	03/04/2019	150,000,000	150,000,000
10 Years BD Govt. Treasury Bond	8.75%	02/03/2020	87,900,000	85,222,825
10 Years BD Govt. Treasury Bond	8.77%	03/03/2020	70,949,226	70,362,647
10 Years BD Govt. Treasury Bond	8.77%	04/07/2020	63,400,000	61,330,965
10 Years BD Govt. Treasury Bond	8.79%	07/07/2020	236,500,000	228,020,254
10 Years BD Govt. Treasury Bond	8.85%	10/06/2020	7,789,009	7,702,273
10 Years BD Govt. Treasury Bond	8.90%	11/03/2020	221,900,000	-
10 Years BD Govt. Treasury Bond	9.50%	12/08/2020	230,795,283	-
10 Years BD Govt. Treasury Bond	9.53%	01/05/2021	404,395,200	-
10 Years BD Govt. Treasury Bond	9.45%	02/02/2021	402,046,400	-
10 Years BD Govt. Treasury Bond	9.45%	03/02/2021	388,782,874	-
10 Years BD Govt. Treasury Bond	9.45%	04/06/2021	395,970,021	-

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

			Amounts in Taka	
			At	At
			31 Dec 2011	31 Dec 2010
10 Years BD Govt. Treasury Bond	9.45%	05/04/2021	100,202,962	-
10 Years BD Govt. Treasury Bond	9.45%	06/08/2021	392,859,189	-
10 Years BD Govt. Treasury Bond	9.45%	07/13/2021	227,500,000	-
10 Years BD Govt. Treasury Bond	9.50%	08/10/2021	217,700,000	-
10 Years BD Govt. Treasury Bond	9.53%	09/14/2021	220,998,198	-
10 Years BD Govt. Treasury Bond	9.55%	10/12/2021	391,980,907	-
15 Years BD Govt. Treasury Bond	12.22%	02/13/2023	142,863,733	144,751,621
15 Years BD Govt. Treasury Bond	8.74%	02/10/2025	63,100,000	60,886,248
15 Years BD Govt. Treasury Bond	8.75%	03/10/2025	74,300,000	71,772,257
15 Years BD Govt. Treasury Bond	8.77%	04/15/2025	20,200,000	19,553,877
15 Years BD Govt. Treasury Bond	8.80%	05/12/2025	58,500,000	56,790,746
15 Years BD Govt. Treasury Bond	8.80%	06/09/2025	60,000,000	58,275,106
15 Years BD Govt. Treasury Bond	8.85%	07/14/2025	108,600,000	105,964,771
15 Years BD Govt. Treasury Bond	8.86%	08/11/2025	112,000,000	109,403,859
15 Years BD Govt. Treasury Bond	8.92%	09/15/2025	112,000,000	109,990,016
15 Years BD Govt. Treasury Bond	8.95%	10/13/2025	85,200,000	83,911,538
15 Years BD Govt. Treasury Bond	9.05%	11/10/2025	120,000,000	-
15 Years BD Govt. Treasury Bond	9.12%	12/15/2025	120,000,000	-
15 Years BD Govt. Treasury Bond	9.12%	02/09/2026	160,000,000	-
15 Years BD Govt. Treasury Bond	9.20%	03/09/2026	160,000,000	-
15 Years BD Govt. Treasury Bond	9.30%	04/13/2026	200,000,000	-
15 Years BD Govt. Treasury Bond	8.85%	05/11/2026	200,000,000	-
15 Years BD Govt. Treasury Bond	9.35%	06/15/2026	204,000,000	-
15 Years BD Govt. Treasury Bond	9.65%	08/17/2026	122,400,000	-
15 Years BD Govt. Treasury Bond	10.30%	09/21/2026	116,857,765	-
15 Years BD Govt. Treasury Bond	10.99%	10/19/2026	163,773,326	-
20 Years BD Govt. Treasury Bond	9.11%	02/24/2030	37,000,000	35,745,313
20 Years BD Govt. Treasury Bond	9.15%	03/24/2030	80,000,000	77,512,635
20 Years BD Govt. Treasury Bond	9.17%	04/28/2030	20,500,000	19,882,829
20 Years BD Govt. Treasury Bond	9.20%	07/29/2030	100,000,000	97,054,579
20 Years BD Govt. Treasury Bond	9.23%	08/25/2030	56,000,000	54,459,387
20 Years BD Govt. Treasury Bond	9.25%	09/29/2030	70,000,000	68,139,380
20 Years BD Govt. Treasury Bond	9.25%	10/27/2030	84,000,000	81,721,512
20 Years BD Govt. Treasury Bond	9.45%	11/24/2030	69,600,000	-
20 Years BD Govt. Treasury Bond	9.57%	12/29/2030	100,000,000	-
20 Years BD Govt. Treasury Bond	9.60%	01/26/2031	120,000,000	-
20 Years BD Govt. Treasury Bond	9.60%	02/23/2031	120,000,000	-
20 Years BD Govt. Treasury Bond	9.63%	03/23/2031	128,000,000	-
20 Years BD Govt. Treasury Bond	9.65%	04/27/2031	140,000,000	-
20 Years BD Govt. Treasury Bond	9.65%	05/25/2031	140,000,000	-
20 Years BD Govt. Treasury Bond	9.65%	06/29/2031	95,600,000	-
20 Years BD Govt. Treasury Bond	10.00%	07/27/2031	40,600,000	-
20 Years BD Govt. Treasury Bond	10.25%	08/24/2031	107,200,000	-
20 Years BD Govt. Treasury Bond	10.85%	09/28/2031	37,099,232	-
20 Years BD Govt. Treasury Bond	11.50%	10/26/2031	112,904,522	-
			15,813,241,686	9,555,939,557

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

Amounts in Taka

At 31 Dec 2011	At 31 Dec 2010
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6.1(a) Consolidated Government securities

AB Bank Limited	16,113,627,582	10,925,594,003
AB Investment Limited	-	-
AB International Finance Limited	-	-
AB Securities Limited	-	-
Cashlink Bangladesh Limited	-	-
AB Exchange (UK) Limited	-	-
	16,113,627,582	10,925,594,003

6.2 Other investments

Shares (6.2.1)	5,051,994,352	3,416,977,560
Investment in subordinated bonds (6.2.2)	140,000,000	-
Zero Coupon Bond	-	4,436,472
	5,191,994,352	3,421,414,032

Investment -ABBL, Mumbai Branch

Treasury bills	202,550,824	163,091,978
Bonds	47,876,400	52,571,600
	250,427,224	215,663,578
Total Other investments	5,442,421,576	3,637,077,610

6.2 (a) Consolidated other investments

AB Bank Limited	5,442,421,576	3,637,077,610
AB Investment Limited	740,822,855	241,876,552
AB International Finance Limited	-	-
AB Securities Limited	154,403,988	72,211,459
Cashlink Bangladesh Limited	32,849,658	181,941,700
AB Exchange (UK) Limited	-	-
	6,370,498,077	4,133,107,321
<u>Less: Inter- group transactions</u>	-	10,161,757
	6,370,498,077	4,122,945,564

6.2.1 Investment in Shares

Quoted (Publicly Traded)	3,939,150,185	2,591,272,762
Unquoted	1,112,844,167	825,704,799
	5,051,994,352	3,416,977,560

Detailed are given in Annex - B.

6.2.2 Investment in subordinated bonds

Prime Bank Limited	90,000,000	-
Trust Bank Limited	50,000,000	-
	140,000,000	-

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

Amounts in Taka	
At 31 Dec 2011	At 31 Dec 2010

6.3 Maturity grouping

Repayable – on demand	1,591,091,117	1,631,471,569
– upto 3 months	2,313,294,692	963,482,654
– over 3 months but below 1 year	805,832,286	2,838,737,985
– over 1 year but below 5 years	2,309,980,110	2,332,097,889
– over 5 years	14,535,850,954	6,796,881,517
	<u>21,556,049,158</u>	<u>14,562,671,613</u>

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)	29/Dec/11	1/Jan/12	3,296,108,883
Pubali Bank Ltd (interbank repo)	27/Dec/11	3/Jan/12	496,969,592
Total			3,793,078,475

(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	1,901,847,368	7,259,284,107	3,204,687,523
ii) with other banks & FIs	124,526,871	702,336,243	525,462,972
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 2011

Amounts in Taka

7. Loans and Advances

At	At
31 Dec 2011	31 Dec 2010
93,411,192,735	85,597,797,263

7.1 Maturity grouping

Repayable – on demand	25,737,169,606	13,485,188,891
– upto 3 months	25,604,675,698	16,938,572,990
– over 3 months but below 1 year	13,585,273,286	26,151,531,964
– over 1 year but below 5 years	24,671,862,828	27,170,000,000
– over 5 years	3,812,211,318	1,852,503,419
	93,411,192,735	85,597,797,263

7.2 Broad category-wise breakup

In Bangladesh

Loans	75,586,074,948	71,053,882,654
Overdrafts	17,539,131,615	14,174,434,222
Cash credits	-	-
	93,125,206,562	85,228,316,877

Outside Bangladesh: ABBL, Mumbai Branch

Loans	271,657,365	310,283,132
Overdrafts	14,328,808	59,197,254
Cash credits	-	-
	285,986,172	369,480,386
	93,411,192,735	85,597,797,263

7.3 Significant concentration

Advances to allied concerns of Directors	2,191,881,518	-
Advances to Chief Executive	4,481,518	9,328,234
Advances to industries	37,326,318,482	18,045,900,000
Advances to customer groups	53,888,511,217	67,542,569,029
	93,411,192,735	85,597,797,263

7.4 Advances to customers for more than 10% of Bank's total capital

Total capital of the Bank	15,943,324,967	14,660,285,036
Number of clients	27	27
Amount of outstanding advances	27,521,400,000	33,680,900,000
Amount of classified advances	-	-
Measures taken for recovery	Not applicable	Not applicable

7.5 Industry-wise loans and advances

Agriculture	2,416,513,588	2,159,300,000
Large and medium scale industry	17,568,319,300	15,497,100,000
Working capital	19,486,401,737	16,915,700,000
Export	2,287,422,354	1,505,300,000
Commercial lending	43,097,507,033	35,145,100,000
Small and cottage industry	159,911,252	96,900,000
Others	8,395,117,471	14,278,397,263
	93,411,192,735	85,597,797,263

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

	Amounts in Taka	
	At 31 Dec 2011	At 31 Dec 2010
7.6 Geographical location-wise (division) distribution		
In Bangladesh		
Urban Branches		
Dhaka	60,740,106,562	49,662,416,876
Chittagong	18,235,801,055	22,599,700,000
Khulna	2,456,898,945	2,375,300,000
Sylhet	1,255,502,337	1,201,500,000
Barisal	304,398,670	237,000,000
Rajshahi	4,246,198,993	3,870,300,000
	87,238,906,562	79,946,216,876
Rural Branches		
Dhaka	2,674,500,001	2,743,700,000
Chittagong	966,815,537	765,000,000
Khulna	1,549,291,257	1,207,900,000
Sylhet	695,693,206	565,500,000
Barisal	-	-
Rajshahi	-	-
	5,886,300,001	5,282,100,000
Outside Bangladesh		
ABBL, Mumbai Branch	285,986,172	369,480,387
	93,411,192,735	85,597,797,263
7.7 Classification of Loans and Advances		
<u>Unclassified</u>		
Standard	90,522,190,257	83,579,513,354
Special Mentioned Account	217,201,705	165,803,138
Total unclassified loans and advances	90,739,391,962	83,745,316,492
<u>Classified</u>		
Substandard	151,800,336	90,102,000
Doubtful	71,901,527	129,040,000
Bad/Loss	2,448,098,910	1,633,338,771
Total classified loans and advances	2,671,800,773	1,852,480,771
	93,411,192,735	85,597,797,263
7.8 Particulars of loans and advances		
(i) Loans considered good in respect of which the Bank is fully secured	91,611,794,172	83,079,845,553
(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	1,799,398,563	2,517,951,710
(iv) Loans adversely classified but provision not maintained	-	-
	93,411,192,735	85,597,797,263

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

	Amounts in Taka	
	At 31 Dec 2011	At 31 Dec 2010
(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)]	402,700,000	384,200,000
(vi) Loans due from companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in case of private companies, as members	-	-
(vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the Bank or any of them either separately or jointly with any other persons [note 7.8(b)]	403,924,703	384,200,000
(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members	2,300,000,000	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)	109,071,781	453,900,000
(b) Amount of loan written off	-	-
(c) Amount realised against loan previously written off	80,646,113	57,376,000
(d) Provision kept against loans classified as bad /loss on the date of preparing the balance sheet	1,030,514,450	921,442,669
(e) Interest charged to interest suspense account	175,627,342	64,152,935
(xi) Written off loan		
During the year	-	-
Cumulative to-date (as per Bangladesh Bank	4,473,493,000	1,940,977,000
Cumulative to-date (in amicable settlement)	2,694,067,000	2,594,045,000
	7,167,560,000	4,535,022,000
Amount of written off loans for which lawsuits have been filed for its recovery	1,779,426,000	1,878,007,000

7.8 (a) This represents loans of Taka 398,218,482 due by the employees of the Bank and Taka 4,481,518 by the Managing Director.

7.8 (b) This represents loans of Taka 403,000,703 due by the employees of the Bank and Taka 924,000 by the Managing Director.

7.9 Securities wise loans and advances

Nature of security

Collateral of movable/immovable assets	77,067,919,624	71,027,477,393
Cash collateral	2,513,508,568	3,755,733,674
Banks and financial institutions guarantee	1,125,558,355	1,478,450,000
Personal guarantee	7,677,828,585	2,517,951,710
Corporate guarantee	4,082,804,187	5,122,724,791
Other securities	943,573,416	1,695,459,695
	93,411,192,735	85,597,797,263

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

	Amounts in Taka	
	At 31 Dec 2011	At 31 Dec 2010
7(a) Consolidated Loans, cash credits, overdrafts, etc		
AB Bank Limited	93,411,192,735	85,597,797,263
AB Investment Limited	7,259,150,528	6,098,303,586
AB International Finance Limited	-	-
AB Securities Limited	1,033,108,643	916,673,257
Cashlink Bangladesh Limited	-	-
AB Exchange (UK) Limited	-	-
	101,703,451,906	92,612,774,106
<u>Less: Inter-company transaction</u>	2,198,699,950	217,150,601
	99,504,751,956	92,395,623,505
8. Bills purchased and discounted		
In Bangladesh	719,027,197	2,002,404,629
Outside Bangladesh - ABBL, Mumbai Branch	507,998,432	401,567,725
	1,227,025,629	2,403,972,354
8.1 Maturity grouping		
Repayable		
– within 1 month	245,405,126	480,794,471
– over 1 month but within 3 months	981,620,503	1,923,177,883
– over 3 months but within 6 months	-	-
– over 6 months	-	-
	1,227,025,629	2,403,972,354
8 (a) Consolidated bills purchased and discounted		
AB Bank Limited	1,227,025,629	2,403,972,354
AB Investment Limited	-	-
AB International Finance Limited	1,738,361,834	1,633,642,870
AB Securities Limited	-	-
Cashlink Bangladesh Limited	-	-
AB Exchange (UK) Limited	-	-
	2,965,387,463	4,037,615,224
9. Fixed assets including premises, furniture and fixtures		
Cost:		
Land	2,476,003,672	2,478,023,672
Building	648,988,334	824,402,746
Furniture and fixtures	190,467,310	164,348,577
Office appliances	61,283,755	59,254,541
Electrical appliances	1,052,984,051	748,140,810
Motor vehicles	354,969,273	352,005,840
	4,784,696,395	4,626,176,186
<u>Less: Accumulated depreciation</u>	930,423,607	699,835,517
	3,854,272,788	3,926,340,669

A schedule of fixed assets is given in Annex C.

AB Bank Limited
Notes to financial statements for the year ended 31 December 2011

Amounts in Taka

	At 31 Dec 2011	At 31 Dec 2010
9(a) Consolidated Fixed assets including premises, furniture and fixtures		
Cost:		
AB Bank Limited	4,784,696,395	4,626,176,186
AB Investment Limited	571,076,609	4,910,950
AB International Finance Limited	9,170,358	11,329,894
AB Securities Limited	26,629,235	16,935,140
Cashlink Bangladesh Limited	268,419,629	231,261,478
AB Exchange (UK) Limited	15,498,478	-
	<u>5,675,490,705</u>	<u>4,890,613,648</u>
Accumulated depreciation:		
AB Bank Limited	930,423,607	699,835,517
AB Investment Limited	3,055,970	947,501
AB International Finance Limited	8,682,786	10,821,427
AB Securities Limited	5,886,139	1,377,385
Cashlink Bangladesh Limited	157,424,502	89,667,196
AB Exchange (UK) Limited	1,826,793	-
	<u>1,107,299,797</u>	<u>802,649,027</u>
	<u>4,568,190,907</u>	<u>4,087,964,621</u>
10. Other assets		
Income generating		
In Bangladesh:		
AB Investment Limited (99.99% owned subsidiary of ABBL)	99,798,000	99,798,000
AB Securities Limited (99.71% owned subsidiary of ABBL)	34,898,000	34,898,000
Cashlink Bangladesh Limited (CBL) (90% owned subsidiary of ABBL)	212,581,228	141,181,228
Outside Bangladesh:		
AB International Finance Ltd, Hong Kong (wholly owned subsidiary of ABBL)	5,203,944	5,203,944
AB Exchange (UK) Limited (wholly owned subsidiary of ABBL)	252	-
	<u>352,481,425</u>	<u>281,081,172</u>
Non-income generating		
Inter-branch adjustment	43,591,061	47,617,714
Advance corporate income tax (note: 10.1)	4,373,711,910	2,777,631,680
Arab Bangladesh Bank Foundation (99.60% owned subsidiary company of ABBL)	19,920,000	19,920,000
Share money deposits - AB Investment Limited	4,900,200,000	4,900,100,000
Share money deposits - AB Securities Limited	165,000,000	165,000,000
Accounts receivable	831,971,409	1,254,062,447
Preliminary, formation, organisational, renovation, development, prepaid and other expenses	2,087,083,556	1,602,621,326
Exchange for clearing	973,715,632	1,206,498,387
Interest accrued on investment but not collected, commission and brokerage receivable on shares and debentures, and other income receivables	631,698,881	452,179,482
Security deposits	156,779,788	66,869,755
Local drafts paid without advice	-	-
Advance rent and advertisement	145,251,391	102,913,807
Stationery, stamps, printing materials, etc	43,288,063	29,489,222
	<u>14,372,211,692</u>	<u>12,624,903,820</u>
	<u>14,724,693,116</u>	<u>12,905,984,992</u>

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

	Amounts in Taka	
	At 31 Dec 2011	At 31 Dec 2010
10(a) Consolidated other assets		
AB Bank Limited	14,724,693,116	12,905,984,992
AB Investment Limited	308,584,808	345,621,356
AB International Finance Limited	6,495,911	1,598,118
AB Securities Limited	59,680,487	407,855,275
Cashlink Bangladesh Limited	27,904,626	62,919,592
AB Exchange (UK) Limited	1,128,526	-
	15,128,487,474	13,723,979,333
<u>Less: Inter-company transaction</u>	6,968,738,910	7,438,140,753
	8,159,748,564	6,285,838,580
10.1 Advance corporate income tax		
In Bangladesh:		
Balance at 01 January	2,548,624,404	3,002,572,849
<u>Add: Paid during the year</u>	1,470,386,008	1,811,456,160
<u>Add: Tax withheld during the year</u>	47,815,492	66,599,206
	1,518,201,500	1,878,055,366
<u>Less: Settlement made during the year</u>	-	2,332,003,811
Balance at 31 December	4,066,825,904	2,548,624,404
Advance tax paid by ABBL, Mumbai Branch	306,886,007	229,007,276
	4,373,711,910	2,777,631,680
11. Borrowings from other banks, financial institutions and agents		
In Bangladesh (note 11.1)	10,124,576,923	14,179,009,551
Outside Bangladesh (note 11.2)	123,612,648	21,426,930
	10,248,189,572	14,200,436,481
11.1 In Bangladesh		
<u>Bangladesh Bank refinance</u>		
ADB loan	13,349,000	-
Islamic investment bonds	3,050,792,894	3,201,903,741
Women Entrepreneur, ACSPD & Small Enterprise	115,640,784	178,845,766
Off- shore banking business	327,409,245	1,345,880,044
	3,507,191,923	4,726,629,551
<u>Call and term borrowing from</u>		
Rupali Bank Ltd	-	650,000,000
Delta Brac Housing Ltd	50,000,000	540,000,000
BFIC	-	220,000,000
Habib Bank Ltd	50,000,000	50,000,000
IDLC Finance Ltd	410,000,000	370,000,000
United Leasing Company Ltd	-	80,000,000
State Bank of India	140,000,000	100,000,000
IIDFC	-	50,000,000
Bay Leasing Ltd	100,000,000	200,000,000
Pubali Bank Ltd	300,000,000	-
United Commercial Bank Ltd	900,000,000	150,000,000
BRAC Bank Ltd	-	-
Trust Bank Ltd	950,000,000	-

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

	Amounts in Taka	
	At 31 Dec 2011	At 31 Dec 2010
Reliance Finance Ltd	-	10,000,000
Dutch Bangla Bank Ltd	100,000,000	100,000,000
Standard Bank Ltd	50,000,000	-
The Premier Bank Ltd	-	200,000,000
Peoples Leasing Ltd	-	80,000,000
Commercial Bank of Ceylon	50,000,000	100,000,000
Citi Bank NA	350,000,000	40,000,000
National Bank Ltd	300,000,000	1,320,000,000
Eastern Bank Ltd	-	150,000,000
BASIC Bank	-	200,000,000
Bangladesh Commerce Bank Ltd	380,000,000	600,000,000
Sonali Bank Ltd	500,000,000	1,500,000,000
HSBC	140,000,000	310,000,000
Janata Bank Ltd	950,000,000	400,000,000
Bangladesh Development Bank Ltd	130,000,000	1,130,000,000
IPDC	120,000,000	200,000,000
ICB Islamic Bank Ltd	450,000,000	700,000,000
MIDAS Financing Ltd	40,000,000	-
National Housing Finance and Investments Ltd	20,000,000	-
Uttara Finance and Investments Ltd	100,000,000	-
Accrued interest	37,385,000	2,380,000
	6,617,385,000	9,452,380,000
	10,124,576,923	14,179,009,551
11.2 Outside Bangladesh		
Sonali Bank, UK	123,612,648	-
HSBC	-	21,426,930
	123,612,648	21,426,930
Details are given in <u>Annex D</u>		
11.3 Analysis by security		
Secured (assets pledge as security for liabilities)	-	-
Unsecured	10,248,189,572	14,200,436,481
	10,248,189,572	14,200,436,481
11.4 Repayment pattern		
Repayable on demand	6,740,997,648	9,473,806,930
Repayable on maturity (note 11.4.1)	3,507,191,923	4,726,629,551
	10,248,189,572	14,200,436,481
11.4.1 Repayable on maturity		
Bangladesh Bank refinance:		
ADB loan	13,349,000	-
Women Entrepreneur, ACSPD & Small Enterprise	115,640,784	178,845,766
Off-shore banking business	327,409,245	1,345,880,044
	456,399,029	1,524,725,811
Term borrowings:		
Islamic investment bonds	3,050,792,894	3,201,903,741
	3,507,191,923	4,726,629,551

AB Bank Limited**Notes to financial statements for the year ended 31 December 2011**

Amounts in Taka	
At	At
31 Dec 2011	31 Dec 2010

11(a) Consolidated Borrowings from other banks, financial institutions and agents

AB Bank Limited	10,248,189,572	14,200,436,481
AB Investment Limited	2,370,888,983	-
AB International Finance Limited	1,473,335,528	1,446,717,462
AB Securities Limited	277,810,967	-
Cashlink Bangladesh Limited	-	217,150,601
AB Exchange (UK) Limited	-	-
	14,370,225,048	15,864,304,545
<u>Less: Inter-company transactions</u>	3,672,035,477	1,663,868,063
	10,698,189,571	14,200,436,481

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

Amounts in Taka

12. Deposit and other accounts

Inter-bank deposits (note 12.1)
Other deposits (note 12.2)

	At 31 Dec 2011	At 31 Dec 2010
	3,967,668,000	3,582,237,000
	112,184,196,141	92,119,657,525
	116,151,864,141	95,701,894,525

12(a) Consolidated deposit and other accounts

AB Bank Limited
AB Investment Limited
AB International Finance Limited
AB Securities Limited
Cashlink Bangladesh Limited
AB Exchange (UK) Limited

	116,151,864,141	95,701,894,525
	-	-
	-	-
	-	-
	-	-
	-	-
	116,151,864,141	95,701,894,525
	326,378,844	921,693,920
	115,825,485,297	94,780,200,605

Less: Inter-group transaction

12.1 Maturity analysis of inter-bank deposits

Repayable

– on demand
– within 1 month
– over 1 month but within 3 months
– over 3 months but within 1 year
– over 1 year but within 5 years
– over 5 years but within 10 years
– over 10 years

	396,766,800	716,447,400
	1,983,834,000	1,791,118,500
	1,190,300,400	501,513,180
	396,766,800	573,157,920
	-	-
	-	-
	-	-
	3,967,668,000	3,582,237,000

12.2 Maturity analysis of other deposits

Repayable

– on demand
– within 1 month
– over 1 month but within 3 months
– over 3 months but within 1 year
– over 1 year but within 5 years
– over 5 years but within 10 years
– over 10 years

	21,633,266,030	14,833,066,863
	30,350,788,907	27,848,717,029
	37,750,251,614	23,677,653,133
	21,974,758,582	25,751,701,671
	475,131,008	8,518,829
	-	-
	112,184,196,141	92,119,657,525

13. Other liabilities

Accumulated provision against loans and advances (note 13.1)
Provision for current tax (note 13.2)
Deferred tax liabilities (note 13.3)
Interest suspense account (note 13.4)
Provision against other assets (note 13.5)
Provision for outstanding debit entries in NOSTRO accounts
Accounts payable - Bangladesh Bank
Accrued expenses
Provision for off-balance sheet items (note 13.6)
Provision against investments (note 13.7)
Others (*)

	2,332,676,207	1,962,814,882
	6,349,963,174	4,656,958,029
	19,949,606	88,446,565
	504,511,041	319,588,789
	328,923,966	328,535,215
	200,000	200,000
	7,250,356	47,400,606
	62,361,469	74,885,396
	510,000,000	480,000,000
	1,235,115,920	282,553,000
	359,130,713	680,983,026
	11,710,082,452	8,922,365,508

(*) Others include provision for 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 2011

Amounts in Taka

13.1 Accumulated provision against loans and advances

Movement in specific provision for bad and doubtful debts

	At 31 Dec 2011	At 31 Dec 2010
Balance at 01 January	900,514,450	415,014,450
Fully provided debts written off during the year	-	-
Recovery of amounts previously written off	-	-
Specific provision made for the year	130,000,000	485,500,000
Recoveries and provision no longer required	-	-
Net charge to Profit and Loss Statement	-	-
	<u>130,000,000</u>	<u>485,500,000</u>
Balance at 31 December	1,030,514,450	900,514,450
Provision made by ABBL, Mumbai Branch	-	20,928,219
Total provision on classified loans and advances	<u>1,030,514,450</u>	<u>921,442,669</u>

On unclassified loans

Balance at 01 January	1,038,460,313	795,806,015
Transfer from provision for other assets	-	-
Recoveries and provision no longer required	-	-
General provision made for the year	240,000,000	214,500,000
	<u>240,000,000</u>	<u>214,500,000</u>
Balance at 31 December	1,278,460,313	1,010,306,015
Provision made by merchant banking wing	-	28,154,298
	<u>1,278,460,313</u>	<u>1,038,460,313</u>
Provision made by ABBL, Mumbai Branch	23,701,443	2,911,900
Total provision on un-classified loans and advances	<u>1,302,161,756</u>	<u>1,041,372,213</u>
Total provision on loans and advances	<u>2,332,676,206</u>	<u>1,962,814,882</u>

<u>Provision for</u>	<u>Required</u>	<u>Maintained</u>	<u>Excess/(Shortage)</u>
Un-classified loans and advances	1,104,101,443	1,302,161,756	198,060,313
Classified loans and advances	1,020,357,000	1,030,514,450	10,157,450
	<u>2,124,458,443</u>	<u>2,332,676,206</u>	<u>208,217,763</u>

13.2 Provision for current tax

Balance at 01 January	4,416,602,048	4,173,978,557
Provision made during the year	1,613,178,182	2,574,627,302
Adjustment during the year	-	2,332,003,811
Balance at 31 December	6,029,780,230	4,416,602,048
Provision for ABBL, Mumbai Branch	320,182,945	240,355,981
	<u>6,349,963,174</u>	<u>4,656,958,029</u>

Corporate income tax assessment of the Bank is completed up to the income year ended 31 December 2008 (assessment year 2009-2010). Corporate income tax assessment for income years 2009 and 2010 is under process. Tax assessments for income years 1995, 1996 and 1997 were completed but these were referred to the Hon'ble High Court on the application made by the Bank for some disputed points.

13.3 Deferred tax liabilities

Balance at 01 January	88,446,565	129,739,689
<u>Add: Provision made during the year</u>	-	-
<u>Less: Adjustment during the year</u>	68,496,959	41,293,124
Balance at 31 December	<u>19,949,606</u>	<u>88,446,565</u>

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

Amounts in Taka

	At 31 Dec 2011	At 31 Dec 2010
	-	
Balance at 01 January	319,588,790	301,688,855
Transfer during the year	237,021,342	64,152,935
Recovery/ waiver during the year	(61,394,000)	(46,253,000)
Write off during the year	-	-
	495,216,132	319,588,790
Mumbai Branch	9,294,910	-
	504,511,041	319,588,790

13.5 Provision against other assets

Provision for:

Prepaid legal expenses	49,700,000	49,700,000
Protested bills	19,091,187	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	257,191,854	257,861,076
	328,923,966	328,535,215

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	480,000,000	380,000,000
<u>Add:</u> Provision made during the year	30,000,000	100,000,000
<u>Less:</u> Adjustment made during the year	-	-
Balance at 31 December	510,000,000	480,000,000

13.7 Provision against investments

Balance at 01 January	282,553,000	142,553,000
<u>Add:</u> Provision made during the year	938,200,000	140,000,000
<u>Less:</u> Adjustment made during the year	-	-
Balance at 31 December	1,220,753,000	282,553,000
Provision held for ABBL, Mumbai Branch	14,362,920	2,674,519
	1,235,115,920	285,227,519

13(a) Consolidated Other liabilities

AB Bank Limited	11,710,082,463	8,922,365,508
AB Investment Limited	734,241,163	1,225,243,045
AB International Finance Limited	83,823,692	74,309,153
AB Securities Limited	575,761,423	1,533,036,966
Cashlink Bangladesh Limited	686,342,416	418,308,791
AB Exchange (UK) Limited	34,640,607	-
	13,824,891,763	12,173,263,464
<u>Less:</u> Inter-company transaction	940,605,659	1,597,700,766
	12,884,286,105	10,575,562,699

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

	Amounts in Taka	
	At 31 Dec 2011	At 31 Dec 2010
13(b) Minority Interest		
AB Investment Limited	8,724	674,265
AB Securities Limited	759,137	827,043
Cashlink Bangladesh Limited	(19,410,776)	2,246,000
	(18,642,915)	3,747,308
14. Share capital	3,686,113,900	3,205,316,500
14.1 Authorised capital		
600,000,000 ordinary shares of Taka 10 each	6,000,000,000	6,000,000,000
14.2 Issued, subscribed and paid-up capital		
15,000,000 ordinary shares of Taka 10 each issued for cash	150,000,000	150,000,000
35,36,11,390 ordinary shares of Taka 10 each issued as bonus shares	3,536,113,900	3,055,316,500
	3,686,113,900	3,205,316,500

Denomination of face value of shares of the Bank changed from Tk. 100.00 to Tk. 10.00 each and the market lot of the shares changed from 5 to 50 shares w.e.f. December 01, 2011 which was approved in the EGM of the Bank dated 24 November 2011.

14.3 Percentage of shareholding

Particulars	At 31 December 2011		At 31 December 2010	
	No. of shares	%	No. of shares	%
Sponsors and public	366,498,470	99.43%	31,869,432	99.43%
Government	2,112,920	0.57%	183,733	0.57%
	368,611,390	100%	32,053,165	100.00%

14.4 Classification of shareholders by holding

Holding	No. of shareholders		% of holding	
	2011	2010	2011	2010
Upto 500	65,078	89,603	65.17	96.82
501 to 5,000	31,411	2,595	31.46	2.80
5,001 to 10,000	1,803	162	1.81	0.18
10,001 to 20,000	806	80	0.81	0.09
20,001 to 30,000	236	25	0.24	0.03
30,001 to 40,000	101	18	0.10	0.02
40,001 to 50,000	85	12	0.09	0.01
50,001 to 100,000	151	18	0.15	0.02
100,001 to 1,000,000	152	29	0.15	0.03
Over 1,000,000	34	5	0.03	0.01
	99,857	92,547	100	100

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

Amounts in Taka	
At 31 Dec 2011	At 31 Dec 2010

14.5 Names of the Directors and their shareholding as at 31 December 2011

Name of the Director	Status	No. of shares	
		At 31 Dec 2011	At 31 Dec 2010
Mr. M. Wahidul Haque	Chairman	79,750	6,936
Mr. Salim Ahmed	Vice-Chairman	8,706,730	757,108
Mr. Feroz Ahmed	Director	7,648,200	665,062
Mr. M. A. Awal	Director	2,310	201
Mr. Shishir Ranjan Bose, FCA	Independent Director	1,640	143
Mr. Faheemul Huq, Barrister -at- Law	Director	316,270	27,502
Mr. Syed Afzal Hasan Uddin, Barrister-at-L	Director	1,640	143
Mr. Mishaal Kabir	Director	1,640	143
Mr. Md. Mesbahul Hoque	Director	1,640	143
Mr. Md. Anwar Jamil Siddiqui	Director	1,640	143
Mr. B. B. Saha Roy	Director	1,430	125
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 2011 is Taka 14,939,192,300 as against available core capital of Taka 13,542,785,990 and supplementary capital of Taka 2,590,264,943 that is, a total of Taka 16,133,050,934 thereby showing surplus capital/equity of Taka 1,193,858,634 at that date. Details are shown below:

Core capital (Tier I)

Fully paid-up capital/capital deposited with Bangladesh Bank	3,686,113,900	3,205,316,500
Statutory reserve	4,390,197,276	4,395,603,869
Non-repayable share premium account	-	-
General reserve	121,667,832	110,939,676
Retained earnings	5,373,409,897	4,979,826,528
Minority interest in subsidiaries	(18,642,915)	3,747,308
Non-cumulative irredeemable preferences shares	-	-
Dividend equalisation account	-	-
	13,552,745,990	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	-	-
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	9,960,000	-
Others, if any	-	-
	9,960,000	-
Total Eligible Tier I Capital	13,542,785,990	12,695,433,881

AB Bank Limited
Notes to financial statements for the year ended 31 December 2011

Amounts in Taka

	At 31 Dec 2011	At 31 Dec 2010
Supplementary capital (Tier II)		
General provision for unclassified loans	1,368,202,803	1,107,413,260
General provision for off-balance Sheet exposure	510,000,000	480,000,000
Assets revaluation reserves up to 50%	714,354,848	722,621,815
Revaluation reserves of securities (upto 50%)	7,667,292	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	2,600,224,943	2,316,951,830
Deductions, if any	9,960,000	-
Total Eligible Tier II Capital	2,590,264,943	2,316,951,830
Capital eligible for market risk (Tier III)		
Short-term subordinated debt	-	-
A. Total Eligible Capital	16,133,050,934	15,012,385,711
Total assets including off-balance Sheet items	207,000,193,980	178,488,761,364
Total risk-weighted assets (RWA)	149,391,922,996	150,066,846,155
B. Total required capital (10% of Total RWA)	14,939,192,300	13,506,016,154
Capital Surplus / (Shortfall) [A-B]	1,193,858,634	1,506,369,557
Capital adequacy ratio	10.80%	10.00%
<u>For the Bank - Capital Adequacy Ratio</u>		
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 2011 is Taka 14,023,588,739 as against available core capital of Taka 13,409,625,913 and supplementary capital of Taka 2,533,699,054 that is, a total of Taka 15,943,324,967 thereby showing surplus capital/equity of Taka 1,919,736,228 at that date. Details are shown below:		
Core capital (Tier I)		
Fully paid-up capital/capital deposited with Bangladesh Bank	3,686,113,900	3,205,316,500
Statutory reserve	4,390,197,276	4,395,603,869
Non-repayable share premium account	-	-
General reserve	42,199,200	42,199,200
Retained earnings	5,291,115,537	4,768,197,862
Minority interest in subsidiaries	-	-
Non-cumulative irredeemable preferences shares	-	-
Dividend equalisation account	-	-
	13,409,625,913	12,411,317,432
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	-	-
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	13,409,625,913	12,411,317,432

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

Amounts in Taka

	At 31 Dec 2011	At 31 Dec 2010
Supplementary capital (Tier II)		
General provision for unclassified loans	1,302,161,756	1,041,372,213
General provision for off-balance sheet exposure	510,000,000	480,000,000
Assets revaluation reserves up to 50%	713,870,005	720,678,638
Revaluation reserves of securities (upto 50%)	7,667,292	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	2,533,699,054	2,248,967,605
Deductions if any	-	-
Total Eligible Tier-II Capital	2,533,699,054	2,248,967,605
Capital eligible for market risk (Tier-III)	-	-
Short-term subordinated debt	-	-
A. Total Eligible Capital	15,943,324,967	14,660,285,036
Total assets including off-balance sheet items	205,558,279,407	177,473,417,428
Total risk-weighted assets (RWA)	140,235,887,391	147,948,633,851
B. Total required capital (10% of Total RWA, 9% in 2010)	14,023,588,739	13,315,377,047
Capital Surplus / (Shortfall) [A-B]	1,919,736,228	1,344,907,990
Capital adequacy ratio	11.37%	9.91%

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

15. Statutory reserve

In Bangladesh

Opening balance	4,230,234,501	2,987,427,246
<u>Add:</u> Addition during the year	-	1,242,807,255
Closing balance	4,230,234,501	4,230,234,501

Outside Bangladesh - ABBL, Mumbai Branch

Opening balance	165,369,368	113,778,846
<u>Add:</u> during the year	-	43,757,216
Less: Adjustment for finalization of Mumbai Accounts	(2,296,725)	-
Less: Foreign exchange rate fluctuation	(3,109,868)	7,833,306
Closing balance	159,962,775	165,369,368
	4,390,197,276	4,395,603,869

16. Other reserve

General reserve (note 16.1)	42,199,200	42,199,200
Assets revaluation reserve (note 16.2)	1,335,395,306	1,338,065,823
Investment revaluation reserve (note 16.3)	15,334,585	13,833,508
Foreign exchange revaluation for investment in foreign operation	92,344,704	103,291,453
	1,485,273,794	1,497,389,984

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

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

Amounts in Taka

	At 31 Dec 2011	At 31 Dec 2010
16.2 Assets revaluation reserve		
Opening balance	1,338,065,823	568,125,753
<u>Add</u> : Addition during the year	-	769,940,070
<u>Less</u> : Adjustment made during the year	2,670,517	-
Closing balance	1,335,395,306	1,338,065,823

**16.3 Investment revaluation reserve (treasury bills and treasury bonds)
In Bangladesh**

Revaluation Reserve for:

Held to Maturity (HTM) (note 16.3.1)
Held for Trading (HFT) (note 16.3.2)

-	-
2,813,207	3,050,034
2,813,207	3,050,034

Outside Bangladesh

ABBL, Mumbai branch

12,521,377	10,783,474
15,334,585	13,833,508

16.3.1 Revaluation reserve for held to maturity (HTM)

Opening balance

Add: Addition during the year

Less: Adjustment made during the year

-	6,027,153
-	-
-	6,027,153
-	6,027,153
-	-

16.3.2 Revaluation reserve for held for trading (HFT)

Opening balance

Add: Addition during the year

Less: Adjustment during the year

3,050,034	255,158,143
-	16,918,405
3,050,034	272,076,548
236,827	269,026,514
2,813,207	3,050,034

Revelation reserve 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 Securities will be treated as supplementary capital.

16(a) Consolidated Other reserve

AB Bank Limited
AB Investment Limited
AB International Finance Limited
AB Securities Limited
Cash Link Bangladesh Limited
AB Exchange (UK) Limited

1,485,273,794	1,497,389,984
-	-
80,438,318	68,740,476
-	-
-	-
-	-
1,565,712,112	1,566,130,459

AB Bank Limited**Notes to financial statements for the year ended 31 December 2011**

Amounts in Taka

At 31 Dec 2011	At 31 Dec 2010
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17. Retained earnings

Opening balance	4,768,197,863	3,541,969,135
<u>Add:</u> Post-tax profit for the year	1,327,983,705	3,696,017,105
<u>Less:</u> Transfer to statutory reserve	-	1,264,995,146
Cash dividend	320,531,650	512,850,640
Bonus shares issued	480,797,400	641,063,300
	5,294,852,518	4,819,077,154
<u>Add:</u> Retained earnings adjustment - Mumbai Branch	(205,681)	53,248,526
<u>Less:</u> Statutory reserve - Mumbai Branch	-	-
<u>Add/ Less:</u> Foreign exchange translation gain	(3,531,300)	2,369,235
	5,291,115,537	4,768,197,863

17(a) Consolidated retained earnings

AB Bank Limited	5,291,115,537	4,768,197,863
AB Investment Limited	771,663,085	560,482,937
AB International Finance Limited	93,569,187	43,182,590
AB Securities Limited	222,959,017	248,789,324
Cashlink Bangladesh Limited	(436,307,755)	(232,931,930)
AB Exchange (UK) Limited	(16,433,614)	-
	5,926,565,457	5,387,720,784
<u>Less:</u> Inter-company transactions	610,451,826	500,534,215
<u>Less:</u> Minority interest	(48,277,551)	(91,875,464)
	5,364,391,182	4,979,062,033
<u>Add:</u> Foreign currency translation gains	9,018,715	764,496
	5,373,409,897	4,979,826,528
	52,595,442,736	44,484,883,051

18. Contingent liabilities**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	10,810,514,210	8,210,194,977
	10,810,514,210	8,210,194,977

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

Profit and Loss Statement	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
19. Profit and loss statement		
Income		
Interest, discount and similar income	14,595,839,122	10,832,116,746
Dividend income	662,844,135	606,468,734
Fee, commission and brokerage	1,436,211,995	1,483,336,968
Gains less losses arising from investment securities	140,925,608	3,268,488,614
Gains less losses arising from dealing in foreign currencies	776,810,269	634,457,597
Other operating income	494,874,188	238,780,449
Gains less losses arising from dealing securities	71,929,031	193,126,850
Income from non-banking assets	-	-
Profit less losses on interest rate changes	-	-
	18,179,434,349	17,256,775,958
Expenses		
Interest, fee and commission	10,436,688,668	6,358,862,124
Administrative expenses	2,319,158,101	2,383,480,432
Other operating expenses	857,855,444	908,655,601
Depreciation on banking assets	253,527,699	196,465,013
Losses on loans and advances	-	-
	13,867,229,912	9,847,463,170
	4,312,204,437	7,409,312,788
20. Interest income		
Interest on loans and advances		
Loans and advances	12,052,226,551	9,387,789,209
Bills purchased and discounted	349,503,689	243,788,967
	12,401,730,239	9,631,578,176
Interest on		
Calls and placements	411,452,027	199,048,683
Balance with foreign banks	16,949,092	8,594,093
Reverse repo	-	-
Balance with Bangladesh Bank	706,396	1,056,243
	429,107,515	208,699,018
Profit/(Loss) due to change in interest rate	-	-
	12,830,837,754	9,840,277,194
20(a) Consolidated interest income		
AB Bank Limited	12,830,837,754	9,840,277,194
AB International Finance Limited	98,428,016	79,750,216
AB Investment Limited	855,419,891	713,088,376
AB Securities Limited	169,651,695	65,185,961
Cashlink Bangladesh Limited	35,304,098	18,558,414
AB Exchange (UK) Limited	-	-
	13,989,641,453	10,716,860,160
Less: Inter- company transaction	194,306,734	-
	13,795,334,719	10,716,860,160

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
21. Interest paid on deposits, borrowings, etc		
Interest on deposits		
Fixed deposits	6,984,998,923	3,566,632,104
Savings deposits	502,675,488	487,688,117
Special notice deposits	941,553,635	806,892,797
Other deposits	677,029,794	577,345,169
	9,106,257,840	5,438,558,187
Interest on borrowings		
Local banks, financial institutions including Bangladesh Bank	1,330,430,828	920,303,937
	10,436,688,668	6,358,862,124
21(a) Consolidated interest paid on deposits, borrowings, etc		
AB Bank Limited	10,436,688,668	6,358,862,124
AB Investment Limited	148,396,065	218,029,319
AB International Finance Limited	15,924,230	8,813,578
AB Securities Limited	64,576,880	17,811,568
Cashlink Bangladesh Limited	3,667,005	28,406,349
AB Exchange (UK) Limited	-	-
	10,669,252,847	6,631,922,938
Less: Inter- company transaction	197,234,387	-
	10,472,018,460	6,631,922,938
22. Investment income		
Capital gains on sale of shares	140,925,608	3,268,488,614
Interest on treasury bills	87,275,093	110,346,179
Dividend on shares	662,844,135	606,468,734
Interest on debentures	2,887,500	2,887,500
Interest on treasury bonds	1,658,729,438	872,465,307
Loss on treasury bills and treasury bonds	71,929,031	193,126,850
Interest on other bonds and others	16,109,337	6,140,567
	2,640,700,142	5,059,923,750
22(a) Consolidated investment income		
AB Bank Limited	2,640,700,142	5,059,923,750
AB Investment Limited	2,804,284	40,382
AB International Finance Limited	-	-
AB Securities Limited	49,942,963	146,330,682
Cashlink Bangladesh Limited	2,687,901	162,757
AB Exchange (UK) Limited	-	-
	2,696,135,290	5,206,457,571
Less: Inter-company transactions (*)	610,451,826	500,534,215
	2,085,683,464	4,705,923,356

(*) Inter-company transactions includes dividend income from AB Investment Limited, AB Securities Limited and AB International Finance Limited.

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
23. Commission, exchange and brokerage		
Other fees, commission and service charges	735,480,419	798,726,693
Commission on letters of credit	535,264,543	560,402,646
Commission on letters of guarantee	165,467,034	124,207,629
Exchange gains less losses arising from dealings in foreign currencies	776,810,269	634,457,597
	2,213,022,264	2,117,794,565
23(a) Consolidated commission, exchange and brokerage		
AB Bank Limited	2,213,022,264	2,117,794,565
AB Investment Limited	334,125,356	576,707,272
AB International Finance Limited	28,744,481	27,347,254
AB Securities Limited	99,298,421	139,161,772
Cashlink Bangladesh Limited	12,502,314	18,494,834
AB Exchange (UK) Limited	704,462	-
	2,688,397,297	2,879,505,698
Less: Inter- company transaction	8,011,985	-
	2,680,385,312	2,879,505,698
24. Other income		
Locker rent, insurance claim and others	13,497,154	12,129,074
Recoveries on loans previously written off	80,646,113	57,140,445
Recoveries on telex, telephone, fax, etc	61,024,588	63,627,537
Recoveries on courier, postage, stamp, etc	21,602,285	24,589,356
Finance charge from ABBF	-	23,943,428
Gain on Sale Bank Properties	317,659,753	-
Non-operating income (*)	444,295	57,350,609
	494,874,188	238,780,449
(*) Non-operating income includes sale of vehicles, old tyres, tubes, newspapers, furniture, fixtures, etc.		
24(a) Consolidated other income		
AB Bank Limited	494,874,188	238,780,449
AB Investment Limited	14,107,745	22,641,987
AB International Finance Limited	42,741,498	18,829,194
AB Securities Limited	2,802,123	10,668,019
Cashlink Bangladesh Limited	34,273,690	43,390,352
AB Exchange (UK) Limited	-	-
	588,799,244	334,310,001
Less: Inter- company transaction	12,186,853	-
	576,612,391	334,310,001
25. Salary and allowances		
Basic salary, provident fund contribution and all other allowances	1,553,450,316	1,515,340,777
Festival and incentive bonus	115,996,714	287,582,796
	1,669,447,030	1,802,923,573

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
25(a) Consolidated salary and allowances		
AB Bank Limited	1,669,447,030	1,802,923,573
AB Investment Limited	19,799,282	8,760,396
AB International Finance Limited	28,703,609	20,436,931
AB Securities Limited	23,544,602	7,630,640
Cashlink Bangladesh Limited	15,435,463	14,326,955
AB Exchange (UK) Limited	4,499,046	-
	1,761,429,031	1,854,078,494
26. Rent, taxes, insurance, electricity, etc		
Rent, rates and taxes	221,963,803	173,540,451
Electricity, gas, water, etc	47,824,822	40,199,397
Insurance	68,842,844	56,924,030
	338,631,469	270,663,877
26(a) Consolidated rent, taxes, insurance, electricity, etc		
AB Bank Limited	338,631,469	270,663,877
AB Investment Limited	6,936,509	2,016,198
AB International Finance Limited	5,357,748	11,831,864
AB Securities Limited	7,253,299	1,005,807
Cashlink Bangladesh Limited	5,414,195	9,525,550
AB Exchange (UK) Limited	3,840,415	-
	367,433,636	295,043,296
Less: Inter- company transaction	9,259,200	-
	358,174,436	295,043,296
27. Legal expenses	5,071,404	12,922,182
27(a) Consolidated legal expenses		
AB Bank Limited	5,071,404	12,922,182
AB Investment Limited	596,500	100,000
AB International Finance Limited	721,937	297,615
AB Securities Limited	221,125	292,000
Cashlink Bangladesh Limited	156,750	493,750
AB Exchange (UK) Limited	-	-
	6,767,716	14,105,546
28. Postage, stamp, telecommunication, etc		
Telex, fax, internet, wireless link, SWIFT, etc	66,642,909	66,313,988
Telephone	11,669,627	12,036,342
Postage, stamp and shipping	26,490,698	23,389,201
	104,803,234	101,739,532
28(a) Consolidated postage, stamp, telecommunication, etc		
AB Bank Limited	104,803,234	101,739,532
AB Investment Limited	936,024	208,229
AB International Finance Limited	5,114,432	6,598,588
AB Securities Limited	1,859,960	763,404
Cashlink Bangladesh Limited	800,147	911,111
AB Exchange (UK) Limited	168,913	-
	113,682,711	110,220,864

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

Amounts in Taka

Year ended 31 Dec 2011	Year ended 31 Dec 2010
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29. Stationery, printing, advertisements, etc

Printing and stationery	96,041,453	87,238,659
Publicity, advertisement, etc	42,205,166	52,009,845
	138,246,619	139,248,504

29(a) Consolidated stationery, printing, advertisements, etc

AB Bank Limited	138,246,619	139,248,504
AB Investment Limited	802,111	1,833,363
AB International Finance Limited	488,431	309,983
AB Securities Limited	717,896	1,030,524
Cashlink Bangladesh Limited	116,559	501,810
AB Exchange (UK) Limited	1,468,888	-
	141,840,504	142,924,185

30. Directors' fees

Directors' fees	1,527,950	1,418,350
Meeting expenses	500,946	637,735
	2,028,896	2,056,085

Directors' fees include fees for attending the board meetings of Executive Committee, Audit Committee and Shariah Council. Each director was remunerated @ Taka 5,000 per meeting.

30(a) Consolidated directors' fees

AB Bank Limited	2,028,896	2,056,085
AB Investment Limited	103,500	115,000
AB International Finance Limited	-	-
AB Securities Limited	103,500	123,500
Cashlink Bangladesh Limited	30,000	37,500
AB Exchange (UK) Limited	-	-
	2,265,896	2,332,085

31. Auditors' fees

Statutory	631,082	1,324,125
Others	1,191,311	374,747
	1,822,393	1,698,872

31(a) Consolidated auditors' fees

AB Bank Limited	1,822,393	1,698,872
AB Investment Limited	83,600	108,775
AB International Finance Limited	287,167	251,303
AB Securities Limited	57,250	116,667
Cashlink Bangladesh Limited	150,000	100,000
AB Exchange (UK) Limited	706,583	-
	3,106,993	2,275,617

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

Amounts in Taka

Year ended 31 Dec 2011	Year ended 31 Dec 2010
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32. Depreciation and repairs of Bank's assets

Depreciation

Electrical appliances	151,256,419	108,370,220
Leasehold assets	-	-
Furniture and fixtures	12,134,663	10,603,573
Office appliances	3,900,374	4,149,446
Building	19,450,028	11,780,780
Motor vehicles	66,786,215	61,560,994
	253,527,699	196,465,013

Repairs

Motor vehicles	14,523,544	12,091,601
Electrical appliances	16,710,796	14,198,862
Office premises and others	13,809,525	12,277,422
Furniture and fixtures	1,222,953	1,036,753
Office appliances	3,053,719	2,865,448
	49,320,537	42,470,085
	302,848,236	238,935,098

32(a) Consolidated depreciation and repairs of Bank's assets

AB Bank Limited	302,848,236	238,935,098
AB Investment Limited	3,495,996	1,060,798
AB International Finance Limited	386,949	378,541
AB Securities Limited	5,517,917	1,499,621
Cashlink Bangladesh Limited	56,620,922	48,848,810
AB Exchange (UK) Limited	2,050,154	-
	370,920,174	290,722,868

33. Other expenses

Contractual service	186,363,933	117,403,808
Amortisation of deferred revenue expenses	163,377,243	187,150,848
Petrol, oil and lubricant	47,840,014	50,054,803
Software expenses	100,605,696	106,602,028
Entertainment	39,355,631	33,509,106
Travelling	47,308,260	53,578,587
Subscription, membership and sponsorship	27,059,849	40,861,877
Training, seminar and workshop	7,079,757	22,853,638
Local conveyance	7,677,176	6,234,705
Professional charges	18,775,363	12,013,093
Books, newspapers and periodicals	1,734,259	1,269,055
Branch opening expenses	802,901	495,695
Bank Charges	8,415,555	7,013,873
Sundry expenses (*)	201,459,807	269,614,484
	857,855,444	908,655,601

(*) 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.

AB Bank Limited**Notes to financial statements for the year ended 31 December 2011**

Amounts in Taka

Year ended 31 Dec 2011	Year ended 31 Dec 2010
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33(a) Consolidated other expenses

AB Bank Limited	857,855,444	908,655,601
AB Investment Limited	27,299,544	68,618,678
AB International Finance Limited	2,298,305	3,915,234
AB Securities Limited	22,266,970	15,510,366
Cashlink Bangladesh Limited	48,401,789	53,703,843
AB Exchange (UK) Limited	3,804,619	-
	961,926,671	1,050,403,723
Less: Inter- company transaction	8,011,985	-
	953,914,686	1,050,403,723

34. Provision against loans and advances

On un-classified loans	254,672,572	215,645,813
On classified loans	130,000,000	493,591,270
	384,672,572	709,237,082

34(a) Consolidated provision against loans and advances

AB Bank Limited	384,672,572	709,237,082
AB Investment Limited	-	66,041,047
AB International Finance Limited	-	-
AB Securities Limited	27,700,000	-
Cashlink Bangladesh Limited	-	-
AB Exchange (UK) Limited	-	-
	412,372,572	775,278,129

35. Provisions for diminution in value of investments

In quoted shares	940,140,693	142,674,519
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Provisions for diminution in value of investments has been maintained in accordance with Bangladesh Bank DOS Circular No. 04 dated November 24, 2011.

35(a) Consolidated Provisions for diminution in value of investments

AB Bank Limited	940,140,693	142,674,519
AB Investment Limited	77,418,152	5,743,054
AB International Finance Limited	-	-
AB Securities Limited	11,390,264	-
Cashlink Bangladesh Limited	-	-
AB Exchange (UK) Limited	-	-
	1,028,949,109	148,417,573

36. Other provisions

Provision for off balance sheet items	30,000,000	100,000,000
Provision for other assets	-	100,000,000
	30,000,000	200,000,000

Provision for prepaid legal expenses and protested bills has been made as per Bangladesh Bank BRPD circular no. 14 dated 25 June 2001.

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
36(a) Consolidated other provisions		
AB Bank Limited	30,000,000	200,000,000
AB Investment Limited	-	-
AB International Finance Limited	229,954	-
AB Securities Limited	-	-
Cashlink Bangladesh Limited	-	-
AB Exchange (UK) Limited	-	-
	30,229,954	200,000,000
37. Appropriations		
Retained earnings - brought forward	4,768,197,864	3,541,969,135
<u>Add: Post-tax profit for the year</u>	1,327,983,705	3,696,017,104
	6,096,181,569	7,237,986,239
<u>Less: Dividends for 2010</u>		
Cash dividend	320,531,650	512,850,640
Bonus shares	480,797,400	641,063,300
Profit available for distribution	5,294,852,519	6,084,072,299
Transferred to		
Statutory reserve	-	1,264,995,146
Proposed dividend	-	-
	-	1,264,995,146
Retained earnings	5,294,852,519	4,819,077,152
<u>Add: Mumbai Branch Retained earnings -brought forward</u>	-	-
<u>Add / (Less): Adjustment during the year</u>	(205,681)	(53,248,524)
<u>Add: Foreign Exchange translation gain</u>	3,531,300	2,369,235
	5,291,115,538	4,768,197,864
38. Earnings per share		
Profit after taxation	1,327,983,705	3,696,017,105
Number of ordinary shares outstanding	368,611,390	368,611,390
Earnings per share	3.60	10.03
38(a) Consolidated earnings per share		
Profit or loss attributable to the parent entity	1,394,742,598	4,018,722,394
Number of ordinary shares outstanding	368,611,390	368,611,390
Earnings per share	3.78	10.90

Earnings per share (EPS) has been computed by dividing the basic earnings by the number of ordinary shares outstanding as of 31 December 2011 in terms of Bangladesh Accounting Standard (BAS 33). Accordingly to BAS 33, EPS for the year 2010 was restated for the issues of bonus share in 2011.

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

Amounts in Taka

39. Receipts from other operating activities

	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Interest on treasury bills, bonds, debenture and others	1,977,856,008	4,453,455,017
Exchange gains less losses arising from dealings in foreign currencies	776,810,269	634,457,597
Recoveries on telex, telephone, fax, etc	61,024,588	63,627,537
Recoveries on courier, postage, stamp, etc	21,602,285	24,589,356
Finance charge from ABBF	-	23,943,428
Gain on Sale Bank Properties	317,659,753	-
Non-operating income	444,295	57,350,609
Others	13,497,154	12,129,074
	3,168,894,352	5,269,552,617

40. Payments for other operating activities

Other expenses	857,855,444	848,655,601
Rent, taxes, insurance, electricity, etc	338,631,469	270,663,877
Postage, stamps, telecommunication, etc	104,803,234	101,739,532
Repairs of Bank's assets	49,320,537	42,470,086
Legal expenses	5,071,404	12,922,182
Auditor's fees	1,822,393	1,698,872
Directors' fees	2,028,896	2,056,085
	1,359,533,377	1,280,206,235

41. Increase/decrease in other assets

Inter-branch adjustment	43,591,061	47,617,714
Arab Bangladesh Bank Foundation	19,920,000	19,920,000
Preliminary, formation, organisational, renovation, development and prepaid expenses	2,087,083,556	1,602,621,326
Exchange for clearing	973,715,632	1,206,498,387
Accounts receivable	722,053,798	1,254,062,447
Interest accrued on investment but not collected, commission and brokerage receivable on shares and debentures, and other income receivables	631,698,881	452,179,482
Security deposits	156,779,788	66,869,755
Advance rent and advertisement	145,251,391	102,913,807
Stationery, stamps, printing materials, etc	43,288,063	29,489,222
Investment in Subsidiaries	5,417,681,425	5,346,181,172
	10,241,063,595	10,128,353,313
Net Increase	(112,710,282)	(173,039,059)

AB Bank Limited

Notes to financial statements for the year ended 31 December 2011

Amounts in Taka

Year ended 31 Dec 2011	Year ended 31 Dec 2010
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42. Increase/decrease in other liabilities

Accumulated provision against loans and advances	2,332,676,207	1,962,814,882
Provision for current tax	6,349,963,174	4,656,958,029
Deferred tax liabilities	19,949,606	88,446,565
Interest suspense account	504,511,041	319,588,789
Accounts payable - Bangladesh Bank	7,250,356	47,400,606
Provision against other assets	328,923,966	328,535,215
Accrued expenses	62,361,469	74,885,396
Provision against investments	1,235,115,920	282,553,000
Provision against off balance sheet items	510,000,000	480,000,000
Provision for outstanding debit entries in NOSTRO accounts	200,000	200,000
Others	359,130,713	680,983,026
	11,710,082,452	8,922,365,508
<u>Less: Adjustment for provision and Others</u>	<u>10,078,744,425</u>	<u>7,073,148,444</u>
	<u>1,631,338,027</u>	<u>1,849,217,064</u>
Net Increase	<u>(217,879,038)</u>	<u>75,921,681</u>

43. Assets and liabilities as at 31 December 2011 denominated in foreign currencies have been converted to local currency Bangladesh Taka (BDT) at the following exchange rates:

Currency	Abbreviation and unit	Equivalent BDT
British Pound Sterling	GBP 1.00	126.2192
European Currency	EURO 1.00	105.7000
Indian Rupee	INR 1.00	1.5444
Japanese Yen	JPY 1.00	1.0483
US Dollar	USD 1.00	81.6847
Hong Kong Dollar	HKD 1.00	10.5090
U.A.E Dirham	DIRHAM 1.00	22.2398

AB Bank Limited**Notes to financial statements for the year ended 31 December 2011****44. Highlights of the overall activities of the Bank**

Sl no.	Particulars	Amounts in Taka	
		Year ended 31 Dec 2011	Year ended 31 Dec 2010
1	Paid-up capital	3,686,113,900	3,205,316,500
2	Total capital	15,943,324,967	14,660,285,036
3	Capital surplus	1,919,736,228	1,344,907,990
4	Total assets	152,962,836,671	132,691,204,730
5	Total deposits	116,151,864,140	95,701,894,525
6	Total loans and advances	94,638,218,363	88,001,769,617
7	Total contingent liabilities and commitments	52,595,442,736	44,484,883,051
8	Credit-deposit ratio	81.48%	91.95%
9	Ratio of classified loans against total loans and advances	2.82%	2.11%
10	Profit after tax and provision	1,327,983,705	3,696,017,105
11	Loans classified during the year	819,320,002	412,100,000
12	Provision kept against classified loans	1,030,514,450	921,442,669
13	Provision surplus/ (deficit)	208,217,763	57,874,763
14	Cost of fund	11.19%	9.89%
15	Interest earning assets	125,049,152,076	110,452,769,332
16	Non-interest earning assets	27,913,684,594	22,535,489,260
17	Return on investments (ROI)	14.62%	32.72%
18	Return on assets (ROA)	0.93%	3.08%
19	Income from investments	2,640,700,142	5,059,923,750
20	Earnings per share	3.60	10.03
21	Net income per share	3.60	10.03
22	Price-earnings ratio (times)	18.96	15.77

for AB Bank Limited

-Sd-
M. Fazlur Rahman
Managing Director (Acting)

-Sd-
Md. Mesbahul Hoque
Director

-Sd-
Salim Ahmed
Vice Chairman

-Sd-
M. Wahidul Haque
Chairman

Dhaka, Bangladesh
Dated, 19 February 2012

AB Bank Limited
Currency wise Balances

Name of the bank	Location	Name of currency	As at 31 December 2011		
			Amounts in foreign currency	Conversion rate	Equivalent amounts in Taka
The Bank of Tokyo Mitsubishi Ltd	Tokyo	YEN	2,710,682	1.0483	2,841,608
HSBC Plc	London	UKP	88,243	126.2192	11,138,000
Sonali Bank, UK	London	UKP	17,500	126.2192	2,208,836
HSBC	Mumbai	ACUD	21,305	81.6847	1,740,309
JP Morgan Chase Bank	New York	USD	1,904,146	81.6847	155,483,979
Sonali Bank Ltd	Kolkata	ACUD	80,617	81.6847	6,585,164
Sonali Bank, UK	London	USD	46,819	81.6847	3,824,380
Myanmar Economic Bank	Yangon	USD	410	81.6847	33,491
Citibank NA	New York	USD	607,829	81.6847	49,650,321
Hatton National Bank Ltd	Colombo	ACUD	21,045	81.6847	1,719,073
Commerz Bank AG	Frankfurt	USD	118,197	81.6847	9,654,917
State Bank of India	Kolkata	ACUD	15,725	81.6847	1,284,518
NIB Bank Ltd	Karachi	ACUD	36,394	81.6847	2,972,857
Mashreq Bank Psc	New York	USD	446,565	81.6847	36,477,538
Nepal Bangladesh Bank Ltd	Katmandu	ACUD	18,609	81.6847	1,520,091
Bank of Bhutan	Phuentsholing	ACUD	197,295	81.6847	16,115,978
BCCI	London	USD	1,696	81.6847	138,509
Wells Fargo N.A	New York	USD	422,168	81.6847	34,484,701
Habib American Bank	New York	USD	583,330	81.6847	47,649,175
Commerz Bank AG	Frankfurt	EURO	127,921	105.7000	13,521,223
Hypovereins Bank	Humburgh	EURO	36,842	105.7000	3,894,185
HSBC	Karachi	ACUD	497,370	81.6847	40,627,540
National Commercial Bank Ltd	Jeddah	USD	615,386	81.6847	50,267,587
Habib Metro Bank	Karachi	ACUD	35,429	81.6847	2,894,000
U.B.A.F	Banques	ACUD	19,810	81.6847	1,618,174
Habib Bank AG	Abudhabi	AED	36,500	22.2398	811,753
HSBC	New York	USD	822,755	81.6847	67,206,488
UBAF (Hong Kong) Limited	Hong Kong	USD	767	81.6847	62,664
Reserve Bank of India	Mumbai	INR	16,445,717	1.5444	25,398,765
Central Bank of India	Mumbai	INR	185,691	1.5444	286,782
Commerz Bank AG (Euro)	Frankfurt	EURO	9,080	106.0539	963,014
HSBC (Euro)	London	EURO	54,470	106.0539	5,776,708
HSBC (GBP)	London	UKP	20,958	126.6408	2,654,187
HSBC (USD)	New York	USD	35,049	82.0076	2,874,266
JP Morgan Chase Bank	New York	USD	823,792	82.0076	67,557,257
HSBC (ACUD)	New York	ACUD	1,803,131	82.0076	147,870,555
HDFC Bank	Mumbai	INR	9,462,741	1.5444	14,614,257
AB International Finance Ltd	Hong Kong	USD	20,714,215	81.6847	1,667,529,020
Total					2,501,951,868

Investment in Shares as at 31 December 2011

Particulars	Number of shares	Market price per share/ Taka	Total market price/ Taka	Cost per Share	Total cost/ Taka
Shares (quoted)					
Islami Bank BD Ltd	1,200,000	54.50	65,400,000	53.64	64,368,220
National Bank Ltd	350,000	66.80	23,380,000	86.45	30,258,328
Fareast Islami Life Insurance Co. Ltd	21,000	162.00	3,402,000	249.60	5,241,636
National Life Insurance	27,500	364.30	10,018,250	363.61	9,999,324
Pragati Insurance	831,860	78.80	65,550,568	149.54	124,398,015
Sandhani Life Insurance	7,200	165.50	1,191,600	245.83	1,769,940
Desco	3,646,000	113.50	413,821,000	143.31	522,524,264
Khulna Power Company Ltd	3,504,684	62.80	220,094,155	143.73	503,738,801
Padma Oil Company Ltd	62,600	733.20	45,898,320	730.61	45,736,450
Powergrid Company of BD Ltd	2,901,000	63.00	182,763,000	91.31	264,888,821
Titas Gas Transmission and Distribution Co. Ltd	3,800,000	67.60	256,880,000	84.50	321,114,719
Beacon Pharmaceuticals Ltd	5,859,000	31.00	181,629,000	81.60	478,117,194
Beximco Pharma	4,213,742	93.60	394,406,251	101.19	427,643,643
Square Pharma	50,000	237.10	11,855,000	239.01	11,950,248
Apex Adelchi	36,000	295.60	10,641,600	293.02	10,548,815
Apex Tannery	65,000	120.40	7,826,000	122.51	7,963,430
Fuwang Foods Ltd	353,900	50.80	17,978,120	49.03	17,350,570
Olympic Industries Ltd	200,000	130.50	26,100,000	117.40	23,479,096
Union Capital Ltd	1,300,000	60.50	78,650,000	112.77	146,602,201
LR Global Mutual Fund	10,000,000	10.60	106,000,000	10.00	100,000,000
Popular Life 1st MF	500,000	6.90	3,450,000	10.00	5,000,000
Beximco Ltd	1,677,800	113.00	189,591,400	187.98	315,399,222
BSRM Steel	2,335,000	118.70	277,164,500	134.63	314,357,301
Fuwang Ceramics	380,000	41.70	15,846,000	42.30	16,075,650
Grameen Phone	449,600	163.50	73,509,600	231.59	104,123,152
Shine Pukur Ceramics Ltd	865,000	40.90	35,378,500	76.88	66,501,144
Total			2,718,424,864	4,152	3,939,150,185

Shares/Bond (unquoted)

Particulars	Number of shares	Cost per Share	Book Value/Cost/Taka
AB Bank 1st MF	30,000,000	10.00	300,000,000
CDBL	2,000,000	5.00	10,000,000
CDBL (Placement)	569,443	10.00	5,694,430
Fiber home Ltd	500,000	100.00	50,000,000
IIDFCL	422,237	48.19	20,345,701
Orion Laboratories	1,000,000	100.00	100,000,000
Amana Bank Limited, Srilanka	135,421,508	3.11	421,804,037
Bangladesh Fund			200,000,000
Stock Market Stabilization Fund	500,000	10.00	5,000,000
Total			1,112,844,168

AB Bank Limited

Schedule of Fixed Assets as of 31 December 2011

Amount in Taka

Particulars	Land and Building	Furniture and Fixtures	Office Appliances	Electrical Appliances	Motor Vehicles	Total
Cost						
Balance at 01 January 2011	3,302,426,418	164,348,577	59,254,541	748,140,810	352,005,840	4,626,176,186
Addition during the year	1,657,588	29,585,062	2,414,674	318,677,429	6,643,195	358,977,948
Less : Disposal/Adjustment during the year	179,092,000	3,411,064	167,550	12,901,728	3,594,500	199,166,842
Adjusted for INR Rate Fluctuation	-	55,265	217,910	932,460	85,262	1,290,897
At 31 December 2011	3,124,992,006	190,467,310	61,283,755	1,052,984,051	354,969,273	4,784,696,395
Accumulated Depreciation						
Balance at 01 January 2011	32,512,328	56,879,649	33,836,566	392,725,353	183,881,622	699,835,518
Addition during the year	19,450,028	12,134,660	3,900,369	151,256,297	66,786,205	253,527,559
Less : Disposal/Adjustment during the year	6,642,630	2,405,045	145,744	11,150,754	1,567,883	21,912,055
Adjusted for INR Rate Fluctuation	-	37,687	211,800	711,294	66,635	1,027,416
At 31 December 2011	45,319,727	66,571,577	37,379,391	532,119,603	249,033,309	930,423,607
Net Book Value						
At 31 December 2011	3,079,672,279	123,895,733	23,904,364	520,864,448	105,935,964	3,854,272,788
At 31 December 2010	3,269,914,090	107,468,929	25,417,976	355,415,455	168,124,218	3,926,340,669

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

Name of the bank	Location	Currency	At 31 December 2011			At 31 December 2010		
			Amounts in foreign currency	Conversion rate	Equivalent amounts in Taka	Amounts in foreign currency	Conversion rate	Equivalent amounts in Taka
Sonali Bank	UK	UKP	979,343	126.22	123,612,648	-	-	-
HSBC	UK	USD	-	-	-	302,855	70.75	21,426,930
Total					<u>123,612,648</u>			<u>21,426,930</u>

Detailed of Risk Weighted Assets under Basel II at 31 December 2011

Amount in Taka

Risk Weighted Assets (RWA) for	2011		2010	
	Exposure	Risk Weighted Asset	Exposure	Risk Weighted Asset
A. Credit Risk				
On- Balance sheet (as shown below)	141,277,098,359	93,999,693,557	122,180,718,956	99,480,183,517
Off-Balance sheet (as shown below)	24,711,941,192	23,896,378,840	22,832,879,500	25,365,363,238
B. Market Risk	-	8,752,339,039	-	8,850,820,024
C. Operational Risk	-	13,587,475,956	-	14,252,267,073
Total: RWA (A+B+C)	165,989,039,550	140,235,887,391	145,013,598,456	147,948,633,852

Credit Risk - On Balance Sheet

Sl.	Exposure Type	2011		2010	
		Exposure	Risk Weighted Asset	Exposure	Risk Weighted Asset
a)	Cash and Cash Equivalents	1,003,178,731	-	795,844,526	-
b)	Claims on Bangladesh Government and Bangladesh Bank	18,383,921,540	-	9,746,123,209	-
c)	Claims on other Sovereigns & Central Banks*	509,436,831	254,718,416	392,099,254	196,049,627
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	20,000,000	10,000,000	25,000,000	12,500,000
g)	Claims on Banks and Non-bank Financial Institution (NBFI):				
i)	Original maturity over 3 months	3,604,258,576	1,668,818,576	2,114,828,543	1,940,418,543
ii)	Maturity less than 3 months	7,153,160,682	1,430,632,136	8,386,247,776	1,677,249,555
h)	Claims on Corporate (excluding equity exposure)	57,389,516,775	53,270,359,091	49,987,209,710	60,155,050,888
i)	Claims under Credit Risk Mitigation	3,384,490,882	179,131,161	4,322,003,024	520,570,608
	<u>Fixed Risk Weight Groups:</u>				
j)	Claims categorized as retail portfolio & Small Enterprise (excluding consumer loan)	29,464,916,441	22,098,687,331	28,454,203,762	21,340,652,821
k)	Consumer Loan	958,238,388	958,238,388	1,296,640,269	1,296,640,269
l)	Claims fully secured by residential property	687,300,000	343,650,000	329,300,000	164,650,000
m)	Claims fully secured by commercial real estate	2,398,048,000	2,398,048,000	2,699,100,000	2,699,100,000
n)	Past Due Claims (Risk weights are to be assigned net of specific provision):	1,868,625,520	2,371,343,965	1,123,735,120	1,438,069,395
o)	Investments in venture capital	1,185,245,340	1,777,868,009	-	-
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	3,854,272,788	3,854,272,788	3,926,340,669	3,926,340,669
s)	Claims on all fixed assets under operating lease	-	-	-	-
t)	All other assets	9,412,487,864	3,383,925,696	8,353,143,095	3,826,766,141
	Total	141,277,098,359	93,999,693,557	122,180,718,956	99,480,183,516

Detailed of Risk Weighted Assets under Basel II at 31 December 2011

Credit Risk - Off Balance Sheet

Amount in Taka

Sl.	Exposure Type	2011		2010	
		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	141,300,000	28,260,000	-	-
g)	Claims on Corporate (excluding equity exposure)	23,139,363,539	22,752,195,170	19,601,914,300	22,431,516,575
h)	Against retail portfolio & Small Enterprise (excluding consumer loan)	1,261,415,934	946,061,950	2,038,474,150	1,528,855,613
i)	Consumer Loan	169,861,719	169,861,719	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	24,711,941,192	23,896,378,840	22,832,879,500	25,365,363,238

Disclosures on Risk Based Capital (Basel II) based on 31 December 2011

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-repayable share premium account' 'Non-cumulative irredeemable preference shares' and 'Dividend Equisilation 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
 - > Revaluation reserve for fixed assets
 - > Revaluation reserve for securities
 - > Revaluation reserve for equity instrument
- iii) All other preference shares
- iv) 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 Capital Adequacy Ratio (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.
- c) Banks have to maintain at least 50% of required capital as Tier I capital

Bank has been able to maintain required CAR on both 'Solo (11.37%)' as well as 'Consolidated (10.80%)' basis. Banks presents Tier I Capital ratio is 84.11% and 83.94% to total Capital on Solo and Consolidated basis respectively.

8. a) Credit Risk

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

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

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

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

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

10. a) Operational Risk

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.

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

11. Disclosure under Pillar III

Disclosure given below as specified by RBCA Guidelines dated 29 December, 2010:

A) Scope of Application

Qualitative Disclosure

<p>(a) The name of the top corporate entity in the group to which this guidelines applies.</p>	<p style="text-align: center;">AB Bank Limited</p>
<p>(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>	<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 (f) AB Exchange (UK) 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 86 Branches including 1 Islami Banking Branch, 1 Overseas Branch in Mumbai, India. The Bank has six subsidiary companies, AB Investment Limited, AB Securities Limited, CashLink Bangladesh Limited, Arab Bangladesh Bank Foundation all incorporated in Bangladesh, AB International Finance Limited, incorporated in Hong Kong and AB Exchange (UK) Limited incorporated in UK.</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 unparalleled 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 90% 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>AB Exchange (UK) Limited</p> <p>AB Exchange (UK) Limited (ABEL) is a company incorporated and domiciled in United Kingdom (UK) and has its registered office 69 Whitechapel High Street, London, E1 7PL. Its registered number is 07272766 (England & Wales). ABEL is fully owned (100%) Subsidiary of AB Bank Limited.</p> <p>Arab Bangladesh Bank Foundation</p> <p>Bank also has a Subsidiary (99.60% 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.	Aggregate amount of Capital: Tk. 19,920,000 Name of Subsidiary: Arab Bangladesh Bank Foundation (ABBF)
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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 of assets 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

Taka in Crore

		2011		2010	
		Solo	Conso	Solo	Conso
(b) The amount of Tier I Capital, with separate disclosure of: (as of 31.12.2011).	> Paid up Capital	369	369	320	320
	> Non- repayable share premium	-	-	-	-
	> Statutory reserve	439	439	440	440
	> General reserve	4	12	4	11
	> Retained earnings	529	537	477	498
	> Minority Interest in Subsidiaries	-	(1.32)	-	0.37
	> Non- cumulative irredeemable	-	-	-	-
	> Dividend equalization account	-	-	-	-
		1,341	1,356	1,241	1,269
(c) Total amount of Tier II & Tier III Capital		253	260	225	232
(d) Other deduction from		-	1.99	-	-
(e) Total eligible capital		1,594	1,614	1,466	1,501

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

Taka (Crore)

		2011		2010	
		Solo	Conso	Solo	Conso
(b) Capital requirement for Credit Risk:		1,179	1,244	1,124	1,127
(C) Capital requirement for Market Risk:		88	104	80	87
(d) Capital requirement for Operational Risk:		136	147	128	137
(e) Total and Tier I Capital					
> For the Bank alone		84.11%	-	84.66%	-
> For the consolidated group		-	83.94%	-	84.57%

D) Credit Risk

Qualitative Disclosure

<p>(a) The general qualitative disclosure requirement with respect to credit risk,</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>> Description of approaches followed for specific and general allowances and statistical methods</p>	<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>																																																							
	<table border="1"> <thead> <tr> <th colspan="2" data-bbox="512 958 823 1025">Types of loans and advances</th> <th colspan="5" data-bbox="823 958 1493 992">Provision</th> </tr> <tr> <th colspan="2" data-bbox="512 992 823 1025"></th> <th data-bbox="823 992 927 1025">UC</th> <th data-bbox="927 992 1082 1025">SMA</th> <th data-bbox="1082 992 1206 1025">SS</th> <th data-bbox="1206 992 1331 1025">DF</th> <th data-bbox="1331 992 1493 1025">BL</th> </tr> </thead> <tbody> <tr> <td data-bbox="512 1025 639 1093" rowspan="2">Consumer</td> <td data-bbox="639 1025 823 1059">House building</td> <td data-bbox="823 1025 927 1059">2%</td> <td data-bbox="927 1025 1082 1059">5%</td> <td data-bbox="1082 1025 1206 1059">20%</td> <td data-bbox="1206 1025 1331 1059">50%</td> <td data-bbox="1331 1025 1493 1059">100%</td> </tr> <tr> <td data-bbox="639 1059 823 1093">Other than</td> <td data-bbox="823 1059 927 1093">5%</td> <td data-bbox="927 1059 1082 1093">5%</td> <td data-bbox="1082 1059 1206 1093">20%</td> <td data-bbox="1206 1059 1331 1093">50%</td> <td data-bbox="1331 1059 1493 1093">100%</td> </tr> <tr> <td colspan="2" data-bbox="512 1093 823 1126">Provision for loan against</td> <td data-bbox="823 1093 927 1126">2%</td> <td data-bbox="927 1093 1082 1126">5%</td> <td data-bbox="1082 1093 1206 1126">20%</td> <td data-bbox="1206 1093 1331 1126">50%</td> <td data-bbox="1331 1093 1493 1126">100%</td> </tr> <tr> <td colspan="2" data-bbox="512 1126 823 1160">Short term Agri. Credit and</td> <td data-bbox="823 1126 927 1160">5%</td> <td data-bbox="927 1126 1082 1160">5%</td> <td data-bbox="1082 1126 1206 1160">5%</td> <td data-bbox="1206 1126 1331 1160">5%</td> <td data-bbox="1331 1126 1493 1160">100%</td> </tr> <tr> <td colspan="2" data-bbox="512 1160 823 1193">Small & Medium Enterprise</td> <td data-bbox="823 1160 927 1193">1%</td> <td data-bbox="927 1160 1082 1193">5%</td> <td data-bbox="1082 1160 1206 1193">20%</td> <td data-bbox="1206 1160 1331 1193">50%</td> <td data-bbox="1331 1160 1493 1193">100%</td> </tr> <tr> <td colspan="2" data-bbox="512 1193 823 1227">Others</td> <td data-bbox="823 1193 927 1227">1%</td> <td data-bbox="927 1193 1082 1227">5%</td> <td data-bbox="1082 1193 1206 1227">20%</td> <td data-bbox="1206 1193 1331 1227">50%</td> <td data-bbox="1331 1193 1493 1227">100%</td> </tr> </tbody> </table>	Types of loans and advances		Provision							UC	SMA	SS	DF	BL	Consumer	House building	2%	5%	20%	50%	100%	Other than	5%	5%	20%	50%	100%	Provision for loan against		2%	5%	20%	50%	100%	Short term Agri. Credit and		5%	5%	5%	5%	100%	Small & Medium Enterprise		1%	5%	20%	50%	100%	Others		1%	5%	20%	50%	100%
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Others		1%	5%	20%	50%	100%																																																		
<p>> Discussion of the Bank's credit risk management policy</p>	<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

	2011		2010		
	In %	Taka (Cr)	In %	Taka (Cr)	
(b) Total gross credit risk exposures broken down by major types of credit exposure	Overdraft	19%	1,755	16%	1,423
	Cash credit	0%	-	0%	-
	Time loan	25%	2,388	20%	1,773
	Term loan	34%	3,229	32%	2,840
	Blc	0%	29	2%	159
	TR	15%	1,466	22%	1,941
	LIM	0%	-	0%	-
	Packing credit	0%	38	0%	35
	Demand loan	0%	0	0%	4
	Loan-accepted bills	3%	237	2%	187
	Bill Purchased & Discount	1%	123	3%	240
	Card Loan	0%	21	0%	23
	Consumer loan	1%	111	2%	135
	Staff Loan	1%	49	0%	37
Others	0%	17	0%	2	
	Total	100%	9,464	100%	8,800
(C) Geographical distribution of exposures, broken down in significant areas by major types of credit exposure	Urban Branches				
	Dhaka	70%	6,146	63%	5,130
	Chittagong	21%	1,824	28%	2,297
	Khulna	3%	246	3%	238
	Sylhet	1%	126	1%	120
	Barisal	0%	30	0%	24
	Rajshahi	5%	425	5%	387
		100%	8,796	100%	8,195
	Rural Branches				
	Dhaka	45%	267	52%	274
	Chittagong	16%	97	14%	77
	Khulna	26%	155	23%	121
	Sylhet	12%	70	11%	57
	Barisal	0%	-	0%	-
Rajshahi	0%	-	0%	-	
	100%	589	100%	528	
Outside Bangladesh					
ABBL, Mumbai Branch	0.84%	79	0.88%	77	
	100%	9,464	100%	8,800	

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	2011		2010		
	In %	Taka (Cr)	In %	Taka (Cr)	
(d) Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.	Agriculture	3%	242	2%	216
	Large and medium scale ind	20%	1,880	18%	1,550
	Working capital	21%	1,949	19%	1,662
	Export	2%	229	2%	151
	Commercial lending	46%	4,310	43%	3,755
	Small and cottage industry	0%	16	0%	10
	Others	9%	839	17%	1,458
	100%	9,464	100%	8,800	
(e) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.	Repayable – on demand	20%	1,934	15%	1,349
	– upto 3 months	28%	2,640	22%	1,934
	– over 3 months but below	21%	1,991	30%	2,615
	– over 1 year but below	23%	2,198	31%	2,717
	– over 5 years	7%	700	2%	185
		100%	9,464	100%	8,800
(f) By major industry or counterparty type:					
i. Amount of impaired loans and if available, past due	3.05%	288.90	2.11%	185.25	
ii. Specific and general provisions		233.41		196.28	
iii. Charges for specific allowances and charge-offs during the period		13.00		70.92	
(g) Gross Non Performing Assets (NPAs)					
Non Performing Assets (NPAs) to Outstanding Loans &		<u>2011</u>		<u>2010</u>	
	Non Performing Assets (NPAs)	<u>267.18</u>		<u>185.25</u>	
	Movement of Specific Provision for Non Performing Assets (NPAs)				
	Opening Balance	90.05		41.50	
	Provision made during the period	13.00		48.55	
	Write - off	-		-	
	Write - back of excess provisions	-		-	
	Closing balance	<u>103.05</u>		<u>90.05</u>	
	Provision held by Mumbai Branch	-		2.09	
		<u>103.05</u>		<u>92.14</u>	

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</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

Taka (Crore)

<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 (2011).</p>	<p>14.09</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>(122.07)</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	Nil
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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 Strees 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

		<u>Taka in Cr.</u>	
		<u>2011</u>	<u>2010</u>
(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	15,083	13,492
	Market Value of Liability	13,761	12,297
	Weighted Avg. Duration GAP	0.91	0.82
	CAR after different level of Shocks:		
	Minor Level	10.50%	9.60%
	Moderate Level	9.63%	9.30%
Major Level	8.77%	8.99%	

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

Taka (Crore)

(b) The capital requirements for:	<u>2011</u>	<u>2010</u>
Interest rate risk	18.97	17.09
Equity position risk	54.37	58.94
Foreign exchange risk	14.18	3.62
Commodity risk	-	-
	<u>87.52</u>	<u>79.65</u>

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.

> Policies and processes for mitigating 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. 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 check & 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.
> Approach for calculating capital charge for operational risk	Basic Indicator Approach was used for calculating capital charge for operational risk as of the reporting date.

Quantitative Disclosure

Taka (Crore)

(b) The capital requirements for Operational Risk	<u>2011</u> 135.87	<u>2010</u> 128.27
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AB Bank Limited
Mumbai Branch
Balance Sheet as at 31 December 2011

	31.12.2011	31.12.2010
	INR	INR
PROPERTY AND ASSETS		
Cash	18,848,994	17,737,050
In hand (including foreign currencies)	2,403,277	1,794,981
Balance with Reserve Bank India (including foreign currencies)	16,445,717	15,942,069
Balance with other banks and financial institutions	157,081,731	245,074,012
In India	9,648,432	23,073,652
Outside India	147,433,299	222,000,359
Money at call and on short notice	75,000,000	70,000,000
Investments	162,151,790	137,016,250
Government	131,151,790	103,616,250
Others	31,000,000	33,400,000
Loans and advances	512,601,933	489,865,383
Loans, cash credits, overdrafts, etc	183,672,620	234,739,763
Bills purchased and discounted	328,929,313	255,125,620
Fixed assets including premises, furniture and fixtures	19,187,382	22,153,309
Other assets	309,452,346	191,849,592
Non-banking assets	-	-
Total Assets	1,254,324,173	1,173,695,596
LIABILITIES AND CAPITAL		
Liabilities		
Borrowings from other banks, financial institutions and agents	-	-
Deposits and other accounts	369,037,054	428,427,093
Current deposits	301,801,761	364,760,801
Demand deposits	2,399,964	5,136,713
Bills payable	478,785	917,182
Savings bank deposits	9,868,494	5,820,283
Special notice deposits	-	-
Fixed deposits	53,414,168	50,903,185
Other deposits	1,073,882	888,930
Other liabilities	251,183,998	173,441,311
Total Liabilities	620,221,052	601,868,404
Capital/Shareholders' Equity		
Total Shareholders' Equity	634,103,120	571,827,192
Paid-up capital	369,822,602	369,822,602
Statutory reserve	103,576,000	104,134,500
Other reserve	8,107,600	6,851,000
Retained earnings	152,596,919	91,019,090
Total Liabilities and Shareholders' Equity	1,254,324,173	1,173,695,596

Profit and Loss Account For the Year ended 31 December 2011

	2011 INR	2010 INR
OPERATING INCOME		
Interest income	36,634,345	25,702,118
Interest paid on deposits and borrowings, etc.	(6,686,462)	(2,203,431)
Net interest income	29,947,883	23,498,687
Investment income	9,920,896	6,741,267
Commission, exchange and brokerage	178,288,087	150,863,550
Other operating income	2,227,728	1,658,303
	190,436,711	159,263,120
Total operating income (a)	220,384,594	182,761,807
OPERATING EXPENSES		
Salary and allowances	11,961,615	11,219,600
Rent, taxes, insurance, electricity, etc.	18,143,781	5,759,397
Legal expenses	105,000	2,400
Postage, stamps, telecommunication, etc.	5,002,151	5,198,228
Stationery, printing, advertisement, etc.	2,497,412	2,581,504
Chief executive's salary and fees	-	-
Directors' fees	-	-
Auditors' fees	207,541	599,818
Charges on loan losses	-	-
Depreciation and repairs of Bank's assets	9,127,506	8,943,890
Other expenses	49,579,701	46,819,588
Total operating expenses (b)	96,624,709	81,124,424
Profit before provision (c = a-b)	123,759,885	101,637,381
Provision against loans and advances	9,500,500	6,046,200
Provision for investments Fluctuation reserve	1,256,600	1,750,626
Other provisions	-	-
Total provision (d)	10,757,100	7,796,826
Profit before taxation (c-d)	113,002,785	93,840,555
Provision for taxation	52,245,457	42,613,845
Current tax	54,836,000	41,218,000
Deferred tax	(2,590,543)	1,395,845
Net profit after taxation	60,757,328	51,226,710

AB Bank Limited
Islami Banking Branch (IBB)

Annex G

Balance Sheet at 31 December 2011

Amounts in Taka

	At 31 Dec 2011	At 31 Dec 2010
PROPERTY AND ASSETS		
Cash in hand	96,259,757	46,018,214
Cash in Hand (Including foreign currencies)	2,699,753	3,925,782
Balance with Bangladesh Bank and its Agent Banks (Incl. Foreign Currencies)	93,560,004	42,092,431
Balance with Other Banks and Financial Institutions	5,380,282,176	3,684,866,147
In Bangladesh	5,380,282,176	3,684,866,147
Outside Bangladesh	-	-
Placement with other Banks and Financial Institutions	-	-
Investment in shares and other financial institutions	87,100,000	41,000,000
Government	87,100,000	41,000,000
Others	-	-
Investments	2,338,652,223	3,605,082,247
General Investments etc	2,214,141,441	3,284,691,581
Bills Purchased and Discounted	124,510,782	320,390,666
Fixed Assets including Premises	11,903,316	13,497,714
Other Assets	599,299,455	156,804,739
Non-Banking Assets	-	-
Total Assets	8,513,496,928	7,547,269,061
LIABILITIES AND CAPITAL		
Liabilities		
Placement from banks and other financial institutions	3,050,792,894	3,201,903,741
Deposits and Other Accounts	5,457,840,307	4,042,320,109
Mudaraba Savings Deposits	34,408,209	52,823,279
Mudaraba Term Deposits	4,878,506,880	3,357,031,303
Other Mudaraba Deposits	491,846,343	503,554,657
Al-Wadeeah Current and Other Deposit Accounts	47,813,295	122,651,694
Bills Payable	5,265,580	6,259,177
Other Liabilities	4,863,728	303,045,211
Total Liabilities	8,513,496,928	7,547,269,061
Capital and Shareholders' Equity		
Paid up Capital	-	-
Statutory Reserve	-	-
Other Reserves	-	-
Retained Earnings	-	-
Total Shareholders' Equity	-	-
Total Liabilities and Shareholders' Equity	8,513,496,928	7,547,269,061

Profit and Loss Statement for the year ended 31 December 2011

	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
OPERATING INCOME		
Investment income	755,947,030	403,741,404
Profit paid on deposits	534,197,409	238,627,672
Net Investment Income	221,749,621	165,113,732
Income from Investments in shares/Securities	240,212	-
Commission, exchange and brokerage	48,988,295	19,455,576
Other operating income	353,766	766,470
Total operating income	271,331,893	185,335,779
Operating Expenses		
Salaries and allowances	18,831,296	17,821,215
Rent, Taxes, Insurance, Electricity, etc	1,007,988	592,923
Legal expenses	-	-
Postage, stamps, telecommunication, etc	313,663	308,973
Stationeries, printing and advertisement, etc	1,645,950	757,329
Directors' Fees and Expenses	-	-
Shariah Supervisory Committee's Fees and Expenses	107,037	94,752
Auditors Fees	-	-
Charges on Investment Losses	-	-
Depreciation and repair to bank's assets	2,744,062	2,546,007
Zakat Expenses	-	-
Other expenses	5,734,504	4,126,608
Total operating expenses	30,384,498	26,247,807
Profit / (Loss) before provisions	240,947,395	159,087,972

Profit paid on deposits

Profit and loss of Islami Banking Branch is calculated annually as at 31 December in every year. More than 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 to meet administrative expenses and investment loss offsetting reserve. Provisional profit rates are applied to the different types of deposit Account as decided by the Bank from time to time commensurate with weightage taking into consideration of the industry trend and that of the rates of other Islami banks in the country.

In the year 2011, 70.67 % of investment income has been distributed among the depositors and final profit has been paid to them as per following weightage and rates:

Types of Deposit	Weightage	Final Rate of Profit (%)
1. Mudaraba Savings Deposits	0.43 to 0.52	5.23 to 6.28
2. Mudaraba Special Notice Deposits	0.26 to 0.47	3.14 to 5.75
3. Mudaraba Term Deposits		
· 36 Months	0.65 to 1.04	7.84 to 12.55
· 24 Months	0.70 to 1.04	8.41 to 12.55
· 12 Months	0.43 to 1.18	5.23 to 14.18
· 6 Months	0.43 to 1.18	5.23 to 14.18
· 3 Months	0.52 to 1.18	6.28 to 14.18
· 1 Month	0.78 to 1.12	9.41 to 13.55
4. Mudaraba Probable Millionaire Scheme	1.04	12.55
5. Mudaraba Quarterly Profit Paying Scheme	1.04	12.55
6. Mudaraba Hajj Deposit Scheme	1.04	12.55
7. Mudaraba Pension Deposit Scheme	0.86 to 1.04	10.42 to 12.55
8. Mudaraba Monthly Profit Payment Scheme	1.04	12.55

A competent Shariah Council consisting Islamic scholars, Ulema, Fuqaha 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 2011, Shariah Council met in 3 (three) meetings and reviewed different operational issues. The Council also audited the branch's accounts through its Muraqib and reviewed the audit report in its regular meeting. Shariah Council observed that both the officials and clients of the branch became more cautious about the compliance of Shariah Principles.

Profit and Loss Statement for the year ended 31 December 2011

	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Operating Income		
Commission, exchange and brokerage	3,937,606	1,870,457
Total Operating Income (a)	3,937,606	1,870,457
Operating Expenses		
Salary and allowances	-	305,098
Rent, taxes and insurance	60,000	15,000
Auditor's fees	23,000	11,500
Other expenses	205,942	491,681
Total operating expenses (b)	288,942	823,279
Profit before provision (c=a-b)	3,648,664	1,047,178
Provision for taxation	-	-
Net profit after taxation	3,648,664	1,047,178

Balance sheet at 31 December 2011

	Amounts (Taka) At 31 Dec 2011	Amounts (USD) At 31 Dec 2011	Amounts (Taka) At 31 Dec 2010	Amounts (USD) At 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	2,910,244	35,628	18,305,139	258,731
In Bangladesh	79,277	971	558,916	7,900
Outside Bangladesh	2,830,967	34,657	17,746,224	250,831
Investment:	-	-	-	-
Government	-	-	-	-
Others	-	-	-	-
Loans and Advances	519,823,302	6,363,786	1,439,262,602	20,343,021
Loans cash credits, overdrafts, etc	438,388,164	5,366,840	513,708,265	7,260,925
Bills Purchased and Discounted	81,435,138	996,946	925,554,336	13,082,096
Premises and Fixed Assets (WDV)	-	-	-	-
Premises and Fixed Assets (Cost)	-	-	-	-
Accumulated Depreciation	-	-	-	-
Other Assets	96,206	1,178	11,612,719	164,138
Accrued Interest	-	-	11,612,719	164,138
Pre-paid Advances	96,206	1,178	-	-
LD Paid without Advice	-	-	-	-
Miscellaneous	-	-	-	-
Non-Banking Assets	-	-	-	-
Total Assets	522,829,752	6,400,592	1,469,180,460	20,765,890
LIABILITIES AND CAPITAL				
Liabilities				
Borrowing from Bank, Financial Institutions and agents	475,647,021	5,822,971	1,444,929,624	20,423,120
In Bangladesh - Call and Term Borrowings	148,237,776	1,814,758	99,049,580	1,400,000
Outside Bangladesh - NOSTRO Overdrawn	-	-	-	-
Bangladesh Bank	327,409,245	4,008,213	1,345,880,044	19,023,120
Deposits and Other Accounts:	23,924,640	292,890	-	-
Demand Deposits	21,659,118	265,155	-	-
Demand Deposits - Others	2,265,522	27,735	-	-
Savings Deposits	-	-	-	-
Bearer Certificate of Deposits (BCD)	-	-	-	-
Fixed Term Deposits - FDR	-	-	-	-
Short Term Deposit - STD	-	-	-	-
Other Term Deposit - NFCB	-	-	-	-
Other Deposits	-	-	-	-
Other Liabilities	-	-	-	-
Accrued Interest	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Liabilities	499,571,661	6,115,861	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	23,258,089	284,730	24,250,835	342,770
Total Shareholders' Equity	23,258,089	284,730	24,250,835	342,770
Total Liabilities and Shareholders' Equity	522,829,752	6,400,592	1,469,180,460	20,765,890

Profit and Loss Statement for the period ended 31 December 2011

	Amounts (Taka)	Amounts (USD)	Amounts (Taka)	Amounts (USD)
	Period ended 31 Dec 2011	Period ended 31 Dec 2011	Period ended 31 Dec 2010	Period ended 31 Dec 2010
Interest income	28,636,416	384,328	18,200,573	257,253
Interest paid on deposits and borrowings	(16,693,511)	(224,043)	(18,239,447)	(257,802)
Net interest income	11,942,905	160,285	(38,874)	(549)
Investment income	-	-	-	-
Commission, exchange and brokerage	10,688,727	143,453	25,728,000	363,648
Other operating income	151,391	2,032	104,710	1,480
Total operating income (A)	22,783,023	305,770	25,793,835	364,579
Salaries and allowances	1,447,172	19,422	1,045,449	14,777
Rent, taxes, insurance, electricity, etc	-	-	354,334	5,008
Legal expenses	-	-	-	-
Postage, stamps, telecommunication, etc	24,244	325	10,104	143
Stationeries, printing, advertisement, etc	-	-	-	-
Directors' fees	-	-	-	-
Auditors' fees	-	-	-	-
Charges on loan losses	-	-	-	-
Depreciation and repair of bank's assets	-	-	-	-
Other expenses	96,264	1,292	133,113	1,881
Total operating expenses (B)	1,567,680	21,039	1,543,000	21,810
Profit / (Loss) before provisions (C=A-B)	21,215,343	284,730	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)	21,215,343	284,730	24,250,835	342,769
Provision for Taxation				
Current Tax	-	-	-	-
Deferred Tax	-	-	-	-
	-	-	-	-
Net Profit / (Loss) after taxation	21,215,343	284,730	24,250,835	342,769

Balance Sheet at 31 December 2011

	Amounts in Taka	
	At 31 Dec 2011	At 31 Dec 2010
I. SOURCES OF FUND		
1. Shareholders' fund		
a) Share Capital	99,900,000	99,900,000
b) Retained Earning	771,663,085	560,482,934
c) Share Money Deposit	4,900,100,000	4,900,100,000
	5,771,663,085	5,560,482,934
2. Long term liabilities		
a) Provident Fund and Gratuity Fund	2,356,416	883,004
	5,774,019,501	5,561,365,938
II. APPLICATION OF FUND		
1. Fixed assets		
a) At cost	571,076,609	4,910,950
b) Less: Accumulated depreciation	3,055,970	947,505
	568,020,639	3,963,445
2. Loans and investments		
a) Investment in shares-at cost	740,822,855	241,876,553
3. Current assets		
a) Loan to clients	7,259,150,528	6,098,303,586
b) Advance, deposit and prepayments	90,449,983	33,782,541
c) Receivable from sale proceeds of shares	31,773,317	309,251,239
d) Advance Income Tax	180,233,063	-
e) Cash and Bank Balances	214,412	95,961,044
	7,561,821,303	6,537,298,410
5. Less: Current Liabilities		
a) Liabilities for expenses	1,250,150	7,738,275
b) Loan from Bank	2,370,888,982	-
c) Payable against sales Proceeds	34,273,316	311,751,240
d) Provision for Taxation	374,253,055	379,360,224
e) Provision for unclassified loan and investment	149,202,256	71,784,102
f) Credit Balance with clients' account	172,905,976	453,726,205
	3,102,773,735	1,224,360,046
6. Net current assets (4-5)	4,459,047,568	5,312,938,364
7. Miscellaneous (Expenditure to the extent not written off)		
Intangible Asset	673,813	731,008
Deferred Revenue Expenditure	5,454,626	1,856,568
	5,774,019,501	5,561,365,938

Profit and Loss Statement for the year ended 31 December 2011

Amounts in Taka

	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Operating Income		
Interest Income	858,347,544	713,088,378
Management Fee	232,109,917	295,290,468
Dividend Income	897,388	40,382
Transaction/Settlement Fee	101,193,439	281,416,804
Other Operating Income	13,908,989	22,641,987
Total Operating Income (a)	1,206,457,277	1,312,478,018
Operating Expenses		
Salary and Allowances	19,799,282	8,760,395
Audit and Consultancy	680,100	383,400
Administrative Expenses	39,552,606	73,661,154
Financial Expense	148,417,143	218,045,810
Total Operating Expenses (b)	208,449,131	300,850,759
Profit before Provision (c=a-b)	998,008,146	1,011,627,259
Provision for Loan	-	66,041,047
Provision for Investment	77,418,152	5,743,055
Total Provision (d)	77,418,152	71,784,102
Net Profit before taxation for the period (c-d)	920,589,994	939,843,158
<u>Less:</u> Provision for Income Tax	374,253,055	379,360,224
Net profit after taxation for the period	546,336,939	560,482,934

Balance Sheet at 31 December 2011

	Amounts in Taka	
	At 31 Dec 2011	At 31 Dec 2010
Sources of Funds		
Shareholders Equity		
Share Capital	35,000,000	35,000,000
Share Money Deposit	165,000,000	165,000,000
Retained Earnings	222,959,017	248,789,323
Total Shareholders' Equity	422,959,017	448,789,323
Application of Funds		
Non-Current Assets	21,669,779	16,793,331
Property, plant and equipment less accumulated depreciation	20,743,096	15,557,755
Preliminary expenses	926,682	1,235,576
Investments	154,403,988	72,211,459
Current Assets	1,100,457,640	1,892,821,500
Cash and cash equivalents in hand and Bank	8,595,194	569,528,544
Other current assets	1,052,973,318	1,274,948,661
Advances, deposit and prepayment	38,889,128	48,344,295
Less: Current Liabilities and Provisions	853,572,390	1,533,036,968
Other liabilities	792,511,548	1,464,160,447
Liabilities for expenses	1,244,999	2,103,508
Provision for tax	59,815,843	66,773,013
Net Current Assets	246,885,250	359,784,532
Total Application of Fund	422,959,017	448,789,322

Profit and Loss Statement for the year 2011

	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Income	257,340,454	343,534,866
Brokerage Commission	99,298,421	139,161,772
Interest Income	105,296,947	47,374,393
Investment Income	49,942,963	146,330,682
Other Operating Income	2,802,123	10,668,019
Less: Operating and Other Expenses	61,764,652	27,972,531
Operating Expenses	46,683,365	23,086,206
Finance Charge	10,572,533	3,508,939
Depreciation on Fixed Assets	4,508,754	1,377,385
Profit before provision	195,575,802	315,562,336
PROVISION:		
Against margin loans	27,700,000	-
For diminution in value of investments	11,390,264	-
Total provision	39,090,264	-
Profit before taxation	156,485,538	315,562,336
Provision for Taxation:	59,815,843	66,773,013
Current Tax	59,731,717	66,773,013
Deferred Tax	84,126	
Net Profit after Taxation	96,669,694	248,789,323
Retained Earnings	96,669,694	248,789,323

Balance Sheet at 31 December 2011

Amounts in Taka

	At 31 Dec 2011	At 31 Dec 2010
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	53,463,088	78,218,040
Intangible Assets	57,532,034	83,937,380
Total Non Current Assets	110,995,122	162,155,420
Current Assets		
Cash and Bank Balances	6,662,274	12,091,000
Investment in Fixed Deposit	313,822,974	243,439,829
Investment in Share	32,849,658	10,161,757
Advance, Deposit and Prepayments	17,290,753	16,595,144
Accounts Receivables	10,613,873	56,504,942
Total Current Assets	381,239,532	338,792,671
Total Assets	492,234,654	500,948,091
EQUITY AND LIABILITIES		
Equity		
Share Capital	238,000,000	238,000,000
Calls in Arrear	-	(5,600,000)
Share Money Deposit	4,200,000	4,200,000
Retained Loss	(436,307,750)	(389,712,891)
Total Equity	(194,107,750)	(153,112,891)
Liabilities		
Non-Current Liabilities		
	9,742,006	9,742,006
Current Liabilities		
Accrued Expenses	14,931,180	13,837,063
Accounts Payable	656,420	3,402,425
Tax Deducted at Source	-	2,040,898
VAT Deducted at Source	168,728	3,533,002
Bank Overdraft	-	217,150,601
Provision for Tax	450,190	-
Payable to AB Bank Ltd	660,393,882	404,354,987
Total Current Liabilities	676,600,398	644,318,976
Total Liabilities	686,342,404	654,060,982
Total Equity and Liabilities	492,234,654	500,948,091

Profit and Loss Statement for the year ended 31 December 2011

	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Revenue	12,502,313	21,708,106
<u>Less: Operating Expenses</u>	53,301,671	96,878,634
Gross Loss	(40,799,358)	(75,170,528)
<u>Less: General and Administration Expenses</u>	77,491,151	118,549,217
Net Operating Loss	(118,290,509)	(193,719,745)
<u>Add: Other Income</u>	72,265,690	62,995,648
Net Loss before Tax	(46,024,819)	(130,724,096)
Tax Expenses/ Provision for Tax	450,190	5,000
Net Loss after Tax	(46,475,009)	(130,729,096)
<u>Less: Prior year adjustment</u>	-	-
Retained Loss Brought Forward	(389,712,891)	(258,983,795)
Retained Loss Brought Forward	(436,187,899)	(389,712,891)

Balance Sheet at 31 December 2011

	Amounts in HK\$	
	At 31 Dec 2011	At 31 Dec 2010
NON-CURRENT ASSETS		
Property, plant and equipment	46,396	55,935
CURRENT ASSETS		
Discounted bills receivable	165,416,484	179,712,756
Deposits, prepayments and other receivable	618,128	175,804
Cash and bank balances	416,732	462,771
	166,451,345	180,351,331
CURRENT LIABILITIES		
Accrued liabilities and other payables	5,385,781	5,775,415
Deferred interest income	1,563,367	1,572,555
Provision for long service payments	466,954	442,931
Due to ultimate holding company	140,197,500	158,836,250
Tax payable	560,271	383,654
	148,173,873	167,010,805
NET CURRENT ASSETS	18,277,472	13,340,526
	18,323,868	13,396,461
EQUITY		
Share capital	1,000,000	1,000,000
Retained earnings	561,909	134,502
Proposed final dividend	9,200,000	4,700,000
Capital Reserve	7,561,959	7,561,959
	18,323,868	13,396,461

Profit and Loss Statement for the year ended 31 December 2011

	Amounts in HK\$	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Interest income	9,812,934	8,885,679
Interest expenses	(1,684,698)	(993,845)
Net interest income	8,128,236	7,891,834
Other operating income	7,937,797	5,144,965
Total operating income	16,066,033	13,036,799
Staff costs	(2,554,635)	(2,277,065)
Depreciation	(18,787)	(12,769)
Provision for long service payments	(24,023)	(51,652)
Other operating expenses	(1,935,091)	(2,551,350)
Total operating expenses	(4,532,536)	(4,892,836)
Profit before taxation	11,533,497	8,143,963
Income tax	(1,906,090)	(1,345,819)
Profit for the year	9,627,407	6,798,144
Retained earnings at start of the year	134,502	72,348
Proposed final dividend	-	(4,700,000)
Transfer to capital reserve	-	(2,035,990)
Retained earnings at the end of the year	9,761,909	134,502

AB Exchange (UK) Limited (ABEL)**Annex O****Balance sheet at 31 December 2011**

Amounts (GBP)

At

31 Dec 2011

FIXED ASSETS

	108,317
Tangible Assets	108,317
	-

Current Assets**36,181**

Debtors	339
Prepayments and accrued income	8,941
Cash at Bank and in Hand	26,901

Creditors**24,448**

Amounts falling due with one year	24,448
Others	-

Net Current Assets**11,733****Total Assets less Current Liabilities****120,050****CREDITORS****249,998**

Amounts falling due after more than one year	249,998
--	---------

Net (Liabilities)/Assets**(129,948)****CAPITAL AND RESERVES****(129,948)**

Called up share capital	2
Profit and loss account	(129,950)

SHAREHOLDERS' FUNDS**(129,948)**

AB Exchange (UK) Limited (ABEL)

Profit and Loss Statement for the period ended 31 December 2011

	Amounts (GBP)
	Year ended 31 Dec 2011
Turnover	
Commission received	5,703
Exchange gains	339
	6,042
Expenditure	
Rent	20,854
Rates and water	8,008
Light and heat	556
Wages and heat	36,994
Telephone	1,419
Post and stationery	3,693
Travelling & subsistence	1,177
Insurance	1,491
License fees	670
Repairs and renewals	2,259
Sundry expenses	80
Accountancy	4,970
Legal Fees	3,744
Auditors' remuneration	840
Depreciation of tangible fixed assets	
Improvements to property	11,040
Plant and machinery	481
Fixtures and fittings	1,283
Computer equipment	2,217
Advertisement	8,355
Consultancy & Management	22,800
	132,931
	(126,889)
Finance Costs	
Bank Charge	3,061
NET LOSS	(129,950)

Arab Bangladesh Bank Foundation (ABBF)**Annex P****Balance Sheet at December 31, 2011**

Amounts in Taka

	At 31 Dec 2011	At 31 Dec 2010
Sources of Funds		
Shareholders' Equity:		
Share Capital	20,000,000	20,000,000
Retained Earning	386,942,711	366,403,612
Total Shareholders' Equity	406,942,711	386,403,612
Application of Funds		
Fixed Assets less accumulated depreciation	13,543,492	12,700,000
	13,543,492	12,700,000
Current Assets, Loans and Advances		
Cash in hand and Bank	65,393,748	46,897,888
Other current assets	350,000,000	350,000,000
Advances, deposit and prepayment	46,216,242	32,524,659
	461,609,990	429,422,547
<u>Less: Current Liabilities and Provisions:</u>		
Other Liabilities	709,533	518,656
Liabilities for expenses	72,500	95,000
Provision for Tax	67,428,738	55,105,278
	68,210,771	55,718,934
Net Current Assets	393,399,219	373,703,613
Total Application of Fund	406,942,711	386,403,612

Profit and Loss Statement for the year ended 31 December 2011

	Amounts in Taka	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Income	46,444,288	291,898,828
Brokerage Commission	-	192,203,512
Interest Income	46,444,288	96,455,719
Other Operating Income	-	3,239,597
Less: Operating and Other Expenses	13,581,730	102,459,060
Operating Expenses	385,750	37,152,697
Financial Charge	12,300	39,514,294
Other Expenses	13,183,680	23,737,242
Depreciation on Fixed Assets	-	2,054,827
Profit before Tax	32,862,558	189,439,768
Provision for Taxation		
Current Tax	12,323,459	55,105,278
Profit after tax	20,539,099	134,334,490

Name of the Directors and entities in which had interest at 31 December 2011

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	Chairman: - AB Bank Limited - AB Investment Limited - AB Securities Limited - Cashlink Bangladesh Limited - AB Exchange (UK)Ltd., London, UK. Director : - Amana Bank Limited, Colombo, SirLanka Managing Director: - Deundi Tea Co. (UK) Ltd - Noyapara Tea Co. 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 Industries (Pvt.) Ltd 8) Super Share & 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 Ltd 5) Universal Shipping and Trawling company
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	i) Managewell Services Ltd ii) Managewell Holdings Ltd iii) Managewell Investment Ltd iv) Managewell Media Ltd v) Managewell Communication Ltd vi) Millennium Aviation Ltd vii) Hyundai Automobiles Bangladesh Ltd
8	Mr. Mishaal Kabir	Director	Hyundai Motors Bangladesh Ltd
9	Mr. Md. Mesbahul Hoque	Director	i) Reptiles Firm Ltd, Chairman ii) Therapeutics Bangladesh Ltd, Managing Director
10	Mr. Md. Anwar Jamil Siddiqui	Director	i) Pacific Motors Limited, Executive Director. ii) Therapeutics Bangladesh Ltd, Director
11	Mr. B.B. Saha Roy	Director	i) Elite Chemical Industries Ltd ii) Hexagon Chemical Complex Ltd iii) Elite International Ltd
12	Dr. M. Imtiaz Hossain	Depositor Director	N/A
13	Mrs. Runa Zakia Shahrood Khan	Depositor Director	N/A
14	Mr. Kaiser A. Chowdhury	President & Managing Director	N/A