

BRAC Bank Limited

Auditors' Report and Financial Statements
for the year ended 31 December 2005

S. F. Ahmed & Co.

Chartered Accountants

House 25, Road 13/A, Block- D
Banani, Dhaka 1213

AUDITORS' REPORT
To the Shareholders of BRAC Bank Limited

We have audited the accompanying Balance Sheet of BRAC Bank Limited as of 31 December 2005 and the related Profit and Loss Account and Statement of Changes in Equity, Cash Flow Statement and Liquidity Statement for the year then ended. The preparation of these Financial Statements is the responsibility of the Bank's management. 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 (BSA). These standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes, examining on a test basis evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles and significant estimates made by the management, as well as evaluating the overall Financial Statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Financial Statements prepared in accordance with Bangladesh Accounting Standards (BAS) give a true and fair view of the state of the Bank's affairs as on 31 December 2005 and of the result of its operations for the year then ended.

We also report that:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (b) in our opinion, proper books of accounts as required by law have been kept by the Bank so far as it appeared from our examination of those books and proper returns adequate for the purpose of audit have been received from the branches not visited by us;
- (c) the Bank's Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of accounts and returns;
- (d) the expenditure incurred were for the purpose of the Bank's business;
- (e) the financial position of the Bank at 31 December 2005 and the profit for the year then ended has been properly reflected in the Financial Statements and the Financial Statements have been prepared in accordance with the generally accepted accounting principles;
- (f) the Financial Statements have been drawn up in conformity with the Banking Companies Act, 1991, in accordance with the rules and regulations issued by the Bangladesh Bank;
- (g) adequate provisions have been made for loans & advances which are, in our opinion, doubtful of recovery;
- (h) the Financial Statements conform to the prescribed standards set in the accounting regulations issued by the Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- (i) the records and statements submitted by the branches have been properly maintained and consolidated in the Financial Statements; and
- (j) the information and explanations required by us have been received and found satisfactory.

Dated, Dhaka
26 February 2006



S. F. Ahmed
S. F. Ahmed & Co.
Chartered Accountants

BRAC Bank Limited

Balance Sheet

as on 31 December 2005

	Note	31.12.2005	Amount in Taka 31.12.2004
PROPERTY AND ASSETS			
Cash			
Cash in hand (including foreign currency)	3	160,508,107	55,731,854
Balance with Bangladesh Bank and its agent banks (including foreign currency)		850,962,771	493,035,146
		1,011,470,878	548,767,000
Balance with other banks and financial institutions			
In Bangladesh	4	1,140,010,459	1,355,257,225
Outside Bangladesh		22,515,829	4,341,185
		1,162,526,288	1,359,598,410
Money at call and on short notice			
Investments	5	80,000,000	290,000,000
Government	6	1,873,314,600	1,370,407,800
Others		290,500,000	255,500,000
		2,163,814,600	1,625,907,800
Loans and advances			
Loans, cash credit, overdrafts etc	7	11,789,118,444	5,819,282,504
Bills purchased & discounted		2,194,078	510,000
		11,791,312,522	5,819,792,504
Fixed assets including premises, furniture & fixtures (Annex-2)	2.5 & 8	160,567,157	30,679,501
Other assets	9	506,317,694	341,190,545
Total Property and Assets		16,876,009,139	10,015,935,760
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions & agents	10	1,473,391,667	568,208,333
Deposits and other accounts			
Current accounts & other accounts	11	3,288,528,993	931,965,861
Bills payable		122,593,253	51,615,293
Savings deposits		1,863,763,753	1,082,602,445
Fixed deposits		8,051,558,273	6,044,952,355
Other deposits		82,566,118	57,842,912
		13,409,010,390	8,168,978,866
Other Liabilities	12	1,210,720,172	688,541,752
Total Liabilities		16,093,122,229	9,425,728,951
Capital and shareholders' equity			
Paid up capital	13.2	500,000,000	500,000,000
Statutory reserve	14	58,396,570	19,860,550
Surplus in profit and loss account	15	224,490,340	70,346,259
Total shareholders' equity		782,886,910	590,206,809
Total Liabilities and Shareholders' Equity		16,876,009,139	10,015,935,760



BRAC Bank Limited
Off Balance Sheet Items
as on 31 December 2005

	Note	Amount in Taka	
		31.12.2005	31.12.2004
Contingent Liabilities			
Acceptances and endorsements		-	-
Letter of guarantees		66,154,552	21,920,809
Irrevocable letter of credits		1,122,651,200	186,886,500
Bills for collection		-	-
Tax liability	23.2	3,367,206	3,367,206
Other contingent liabilities		150,638,722	14,122,064
Total Contingent Liabilities		1,342,811,680	226,296,579
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-lease hold assets		-	-
		49,634,335	65,759,743
Total Other Commitments		49,634,335	65,759,743
Total Off -Balance Sheet items including contingent liabilities		1,392,446,015	292,056,322

The financial statements should be read in conjunction with the annexed notes.


Managing Director

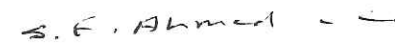

Director


Director


Chairman



Dated, Dhaka
26 February 2006


S. F. Ahmed & Co.
Chartered Accountants

BRAC Bank Limited
Profit and Loss Account
For the year ended 31 December 2005

PARTICULARS	Note	Amount in Taka	
		31.12.2005	31.12.2004
Interest income	16	1,463,654,725	815,717,559
Interest paid on deposits and borrowing etc.	17	850,729,209	440,906,029
Net interest income		612,925,516	374,811,530
Investment income	18	292,067,158	166,967,110
Commission, exchange and brokerage	19	271,073,023	137,217,899
Other operating income		2,846,359	456,571
Total operating income		1,178,912,056	679,453,110
Salaries and allowances		297,154,369	172,343,334
Rent taxes, insurance, electricity etc.		77,161,888	60,957,118
Legal expenses		1,876,822	1,904,182
Postage, stamps, telecommunication etc.		42,756,768	21,719,027
Stationery, printing, advertisement etc		56,620,255	30,258,517
Chief Executive's salary & fees		4,350,000	3,840,000
Directors' fees & expenses	20	754,470	271,871
Auditors' fee		909,000	2,162,360
Depreciation		19,159,310	2,903,961
Repairs & maintenance of fixed assets		14,391,422	9,605,187
Other expenses	21	77,865,343	49,537,814
Preliminary expenses written off		-	100,536
Pre-operating expenses written off		-	3,013,084
Total operating expenses		592,999,647	358,616,991
Profit/(loss) before provisions		585,912,409	320,836,119
Provisions for loans and advances	22	245,007,995	110,533,370
Provisions for others		544,313	-
Total provisions		245,552,308	110,533,370
Total profit/(loss) before taxes		340,360,101	210,302,749
Provision for taxes	23	147,680,000 ✓	111,000,000
Total profit/(loss) after taxes		192,680,101	99,302,749
Appropriations :			
Statutory reserve	14	38,536,020	19,860,550
General reserve		-	-
Dividends etc.		-	-
Retained surpluses	15	38,536,020	19,860,550
		154,144,081	79,442,199
Weighted average earning per share (EPS)	24	38.54	23.16

The financial statement should be read in conjunction with the annexed notes.

M. Hogue
Managing Director

M. M. M.
Director

L. A. A.
Director

S. F. Ahmed
Chairman

Dated, Dhaka
26 February 2006



S. F. Ahmed & Co.
Chartered Accountants

BRAC Bank Limited
Cash Flow Statement
For the year ended 31 December 2005

	Note	31.12.2005	Amount in Taka 31.12.2004
A. Cash flows from operating activities			
Interest receipts in cash		1,753,221,883	980,484,670
Interest payment		(850,729,209)	(440,906,030)
Dividends received		2,500,000	2,200,000
Fees & commissions receipts in cash		271,073,023	137,217,899
Cash payments to employees		(301,504,369)	(176,183,334)
Cash payments to suppliers		(99,377,023)	(51,977,544)
Income tax paid		(140,106,169)	(78,448,858)
Receipts from other operating activities		2,846,359	456,571
Payment for other activities:			
Rent, rates taxes etc.		(77,161,888)	(60,957,118)
Audit fees		(909,000)	(2,162,360)
Directors fees & expenses		(754,470)	(271,871)
Repair & maintenance		(14,391,422)	(9,605,187)
Other expenses		(78,409,656)	(49,537,814)
Legal expenses		(1,876,822)	(1,904,182)
Operating profit/(loss) before changes in operating assets and liabilities		464,421,237	248,404,842
(Increase)/decrease in operating assets & liabilities			
Loans and advances		(5,971,520,018)	(2,949,684,961)
Other assets		(25,020,979)	(172,703,247)
Deposits from customers		5,240,031,524	4,671,676,250
Other liabilities		129,490,424	233,841,789
Net cash flows from operating activities		(162,597,812)	2,031,534,673
B. Cash flows from investing activities			
Treasury bills		(402,600,000)	(20,000,000)
Treasury bond		(100,000,000)	(930,000,000)
Investment/redemption of debentures		25,000,000	(100,000,000)
Investment in prize bond		(306,800)	(372,700)
Investment in zero coupon bond		(60,000,000)	(46,000,000)
Acquisition of fixed assets		(149,289,390)	(26,135,251)
Amortization of leasehold premises		242,424	-
Net cash used in investing activities		(686,953,766)	(1,122,507,951)
C. Cash flows from financing activities			
Proceeds from issue of ordinary shares		-	94,980,000
Borrowings from other banks		710,000,000	(300,000,000)
Borrowings from Bangladesh Bank		195,183,334	452,558,333
Net cash flows from financing activities		905,183,334	247,538,333
Net increase/decrease in cash		55,631,756	1,156,565,055
Cash and cash equivalents at beginning of period		2,198,365,410	1,041,800,355
Cash and cash equivalents at end of period	25	2,253,997,166	2,198,365,410


Managing Director


Director


Director


Chairman

BRAC Bank Limited
Statement of Changes in Equity
For the year ended 31 December 2005

	Amount in Taka			
	Paid-up Capital	Statutory Reserve	Profit/(loss)	Total
Balance at 01 January 2005	500,000,000	19,860,550	70,346,259	590,206,809
Currency transaction differences	-	-	-	-
Dividends	-	-	-	-
Statutory reserve	-	38,536,020	-	38,536,020
Net profit for the year	-	-	154,144,081	154,144,081
Issue of share capital	-	-	-	-
Balance at 31 December 2005	500,000,000	58,396,570	224,490,340	782,886,910
Notes	13	14	15	

M. Hossain
Managing Director

M. M. Rahman
Director

F. A. Hossain
Director

M. Hossain
Chairman



BRAC Bank Limited

Liquidity Statement

(Assets & Liabilities Maturity Analysis)

as on 31 December 2005

	0-1	Month	1-3	Month	3-12	Month	1-5	Years	Above	5 Years	Total
Assets											
Cash in hand	160,508,107										160,508,107
Balance with Bangladesh Bank, other banks and financial institutions (Including foreign currencies)	22,518,881			535,787,095		604,220,312				850,962,771	2,013,489,059
Money at call and on short notice											
Investments	80,000,000										80,000,000
Loans and advances	70,714,600			442,600,000				456,000,000	1,194,500,000		2,163,814,600
• Fixed assets including premises, furniture & fixtures	1,127,324,795			555,690,003		2,703,883,776		7,274,148,048	130,265,900		11,791,312,522
Other Assets						711,789		81,953,172	77,902,196		160,567,157
Non banking assets	307,381,412			22,125,847		102,425,022		74,385,413			506,317,694
Total Assets	1,768,447,795		1,556,202,945		3,411,240,899		7,886,486,633		2,253,630,867		16,876,009,139
Liabilities											
Borrowings from Bangladesh bank, other banks, financial institutions and agents	510,000,000			200,000,000				763,391,667			1,473,391,667
Deposits	3,871,597,847			4,033,855,977		3,654,408,081		1,636,837,195	212,311,290		13,409,010,390
Other liabilities	67,434,057			364,318,821		671,359,687		37,879,564	69,728,043		1,210,720,172
Total Liabilities	4,449,031,904		4,598,174,798		4,325,767,768		2,438,108,426		282,039,333		16,093,122,229
Net Liquidity Gap	(2,680,584,109)		(3,041,971,853)		(914,526,869)		5,448,378,207		1,971,591,534		782,886,910

M. G. Hossain
Managing Director



F. Ahmed
Director

M. Hossain
Chairman

BRAC Bank Limited
Highlights on the Overall Activities
for the year ended 31 December 2005

Sl. No.	Particulars	Amount in Taka	
		31.12.2005	31.12.2004
01	Paid up capital	500,000,000	500,000,000
02	Total capital including general provisions	988,890,700	650,294,122
03	Capital surplus/deficit	40,752,940	73,684,057
04	Total assets	16,876,009,139	10,015,935,760
05	Total deposits	13,409,010,390	8,168,978,866
06	Total loans & advances	11,791,312,522	5,819,792,504
07	Total contingent liabilities & commitments	1,392,446,015	292,056,322
08	Credit deposit ratio	87.94%	71.24%
09	Percentage of classified loans against total loans & advances	2.25%	1.97%
10	Profit after taxes & provisions	192,680,101	99,302,749
11	Amount of classified loans during the current year	265,178,937	114,413,815
12	Provisions kept against classified loans	134,061,420	86,987,669
13	Provisions surplus/(deficit)	26,861,896	40,841,000
14	Cost of fund	7.58%	7.23%
15	Interest earning assets	16,278,383,048	9,704,669,678
16	Non interest earning assets	597,626,090	311,266,082
17	Return on investment (ROI)	8.54%	8.57%
18	Return on assets (ROA)	1.14%	0.99%
19	Incomes from investments	292,067,158	166,967,110
20	Weighted average earning per share	38.54	23.16
21	Net income per share	38.54	19.87



BRAC Bank Limited
Notes to the Financial Statements
for the year ended 31 December 2005

1.0 Formation and Status of the Bank

BRAC Bank Limited is a scheduled commercial bank established under the Banking Companies Act, 1991 and incorporated as a public company limited by shares on 20 May 1999 under the Companies Act, 1994 in Bangladesh. The primary objective of the Bank is to carry on all kinds of banking businesses. The Bank could not start its operations till 03 June 2001 since the activity of the Bank was suspended by the High Court of Bangladesh. Subsequently, the judgment of the High Court was set aside and dismissed by the Appellate Division of the Supreme Court on 04 June 2001 and accordingly, the Bank has started operations from 04 July 2001. At present the Bank has 18 (eighteen) branches, 51 Zonal Office of SME & 292 unit office of SME.

2.0 Significant Accounting Policies

2.1 Basis of Accounting

The financial statements have been prepared on a going concern basis under the historical cost convention in accordance with International Accounting Standards (IAS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) known as Bangladesh Accounting Standards and the forms of financial statements as prescribed by Bangladesh Bank vide BRPD circular No. 14 dt. 25 June 2003.

2.2 Loans and Advances

- a) Interest on loans and advances is calculated on daily product basis, but charged and accounted for on monthly accrual basis.
- b) Provision for loans and advances is made based on the period and review by the management and instruction contained in Bangladesh bank BRPD Circulars No. 16 of December 06, 1998, 09 May 2001, 09 & 10 of August 20, 2005 .
- c) Interest is calculated on classified loans and advances as per BRPD circular No 16 of 1998, 09 of 2001 and 09 & 10 of 2005 recognized as income on realization.

2.3 Preliminary Expenses

Preliminary expenses represent expenses incurred prior to incorporation of the bank and were written off in the last year.

2.4 Pre-operating Expenses

These represent expenses incurred in between incorporation and start of operations and were amortized in the last year.

2.5 Fixed Assets & Depreciation

- a) Fixed assets have been shown at cost less accumulated depreciations
- b) Depreciation is charged on straight-line method. Depreciation on fixed assets has been charged in the following month of the acquisition. Depreciation on fixed assets disposed off has not been charged in the month of disposal.
- c) Leasehold premises are written-off over the term of lease agreement and as such amortization has been accounted for accordingly.

2.6 Investments

Value of Investments has been shown as under:

Government Treasury bills
Prize Bond & Other Bonds
Shares & Debentures

At Face Value
At Cost Price
At Cost Price



2.7 Lease Rental

Leasehold assets have been accounted for as operating lease and accordingly lease rentals have been charged to revenue.

2.8 Foreign Currency Transactions

Assets and liabilities in foreign currencies are translated into Taka at mid rates prevailing on the balance sheet date, except "bills for collection" stock of travelers cheque and import bills for which the buying rate is used. Gains or losses arising from normal fluctuation of exchange rate are charged to revenue.

2.9 Provisions and Accrued Expenses

Provisions and accrued expenses are recognized in the financial statement when the Company has a legal or constructive obligation as a result of past event, it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate has been made of the amount of the obligation.

2.10 Deferred Tax

The Banks accounted for deferred tax as per Bangladesh Accounting Standard (BAS) – 12. Deferred Tax is provided using liability method for temporary timing differences arising between tax base of assets and liabilities and their carrying value for financial reporting purposes. An appropriate proportion of provision has been considered in calculating temporary timing difference. Deferred tax is computed at the prevailing tax rate as per IT ordinance 1984.

2.11 Earning per share

Earning per Share (EPS) has been computed by dividing the basic earning by the number of Ordinary Shares outstanding as on 31st December, 2005 as per BAS-33 "Earning Per Share".

Basic earnings

This represents earnings for the year attributable to ordinary shareholders. As there was no preference dividend, minority interest or extra ordinary items, the net profit after tax has been considered as fully attributable to the ordinary shareholders.

Weighted average number of ordinary shares outstanding during the year

This represents the number of Ordinary shares outstanding at the beginning of the year multiplied by a time weighted factor. The time weighted factor is the number of days the specific shares are outstanding as a proportion of the total number of days in the period.

2.12 Statement of Liquidity

The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term as per the following basis:

- a) Balances with other bank & financial institutions, money at call & short notice etc. are on the basis of their maturity term.
- b) Investments are on the basis of their maturity term.
- c) Loans & advances are on the basis of their repayment/ maturity schedule.
- d) Fixed assets are on the basis of their useful life.
- e) Other assets are on the basis of their adjustment.
- f) Borrowing from other banks, financial institutions and agents as per their maturity/ repayment term.
- g) Deposits & other accounts are on the basis of their maturity term and behavioral past trend.
- h) Other long term liability on the basis of their maturity term.
- i) Provisions & other liabilities are on the basis of their adjustment.



2.13 Retirement Benefit to the Employees

Provident Fund

Provident fund benefits are given to the staff of the bank in accordance with the registered Provident fund rules. The commissioner of Income Tax, Large Tax Payers Unit, Dhaka has approved the Provident Fund as a recognized provident fund within the meaning of section 2(52) read with the provisions of part - B of the First Schedule of Income Tax Ordinance 1984. The recognition took effect from 1st January 2003. The fund is operated by a Board of Trustees consisting of 11 (eleven) members of the bank. All confirmed employees of the bank are contributing 10% of their basic salary as subscription to the fund. The bank also contributes equal amount of the employees' contribution to the fund. Interest earned from the investments is credited to the members' account on half yearly basis. Members are eligible to get both the contribution after 03 years continuous service from the date of their membership.

Gratuity

Gratuity fund benefits are given to the staff of the bank in accordance with the approved Gratuity fund rules. The fund is operated by a Board of Trustees consisting of 6 (six) members of the bank. Employees are entitled to gratuity benefit after completion of minimum five years of service in the Company. The gratuity is calculated on the basis of last basic pay and is payable at the rate of one month's basic pay for every completed year of service. We have applied for recognition of the fund and the approval procedure is under process.

2.14 Revenue Recognition

Interest Income

In terms of provision of Bangladesh Accounting Standard (BAS -18) on revenue and disclosures in the financial statements of the Bank, the interest receivable is recognized on accrual basis. Interest in loans and advances ceases to be taken into income when such advances are classified, kept in interest suspense account. Interest on classified advances is accounted for on a receipt basis.

Fees & Commission Income

Fees & commission income arises on services provided by the Bank recognized on a cash basis. Commission charged to customers on letters of credit and letter of guarantee are credited to income at the time of effecting the transactions.

Dividend income on Shares

Dividend income from shares is recognized when that right to receive the payment is established.

Interest Paid and other expenses

In terms of provision of the Bangladesh Accounting Standard (BAS -1) Presentation of Financial Statements, the interest paid and other expenses are recognized on accrual basis.

2.15 Reconciliation of interbank/books of accounts

Books of accounts with regard to interbank (in Bangladesh and outside Bangladesh) are reconciled on monthly basis and there are no material differences which may affect the financial statements significantly.

2.16 Risk management

The possibility of losses, financial or otherwise is defined as risk. The assets and liabilities of BRAC Bank is managed so as to minimize, to the degree prudently possible, the Bank's exposure to risk, while at the same time attempting to provide a stable and steadily increasing flow of net interest income, an attractive rate of return on an appropriate level of capital and a level of liquidity adequate to respond to the needs of depositors and borrowers and earnings enhancement opportunities.

These objectives are accomplished by setting in place a planning, control and reporting process, the key objective of which is the co-ordinated management of the Bank's assets and liabilities, current banking laws and regulations, as well as prudent and generally acceptable banking practices.



The risk management of the bank covers 5 (five) Core risk areas of banking i.e. a. Credit Risk Management, b. Foreign Exchange Risk Management, c. Asset liability Management, d. Prevention of Money Laundering and e. Internal Control & Compliance.

2.16.1 Credit Risk Management

Credit risk is the risk to an institution's earnings and capital when an obligator or customer fails to meet the terms of any contract or otherwise fails to perform as agreed. It is one of the major risks faced by the bank.

Considering the key elements of Credit risk, the bank has segregated duties of the officers /executives involved in credit related activities. Separate division for Corporate, SME and Retail has been formed which are entrusted with the duties of maintaining effective relationship with the customer, marketing of credit products, exploring new business opportunities etc. For transparency in the operations during the entire credit period i. Credit Approval Committee, ii. Loan Administration Department, iii. Recovery Unit, and iv. Impaired Asset Management have been set up.

In addition to the above Sales Teams of the above-mentioned business units book the customers; the Credit Division does through assessment before approving the credit facility. The risk assessment included borrower risk analysis, financial analysis, industry analysis, and historical performance of the customer. Loan Administration Department ensures compliance with all legal formalities, completion of all documentation security of the proposed credit facility and finally disburses the amount. The Sales team reports to the DMD through their line; the Credit division reports to Managing Director, while the Loan Administration reports to the Chief Operating Officer. The above arrangement has not only ensured segregation of duties and accountability but also helps minimize the risk of compromise with quality of the credit portfolio.

2.16.2 Foreign Exchange Risk Management

Foreign exchange risk is defined as the potential change in profit/loss due to change in market prices. Today's financial institutions engage in activities starting from imports, exports and remittances involving basic foreign exchange and money market to complex structured products. Within the Bank, Treasury department is vested with the responsibility to measure and minimize the risk associated with bank's assets and liabilities.

All treasury functions are clearly demarcated between treasury front office and back office. The front office is involved only in dealing activities and the back office is responsible for all related support and monitoring functions. Treasury front and back office personnel are guided as per Bangladesh Bank core risk management and their job description. They are barred from performing each other's job. As mentioned in the previous section, 'Treasury Front Office' and 'Treasury Back Offices' have separate and independent reporting lines to ensure segregation of duties and accountability but also helps minimize the risk of compromise.

Dealing room is equipped with Reuter's information, a voice screens recorder for recording deals taking place over phone. Counter party limit is set by the Credit Committee and monitored by Head of treasury. Trigger levels are set for the dealers, Chief Dealer and head of Treasury. Any increase to trigger limit of the head of Treasury requires approval from the management committee.

Before entering into any deal with counter party, a dealer ensures about the counter party's dealing style, product mix and assess whether the customer is dealing in an appropriate manner.

2.16.3 Asset Liability Management

Changes in market liquidity and or interest rate exposes Bank's business to the risk of loss, which may, in extreme cases, threaten the survival of the institution. As such emphasize has given so that the level of balance sheet risks are effectively managed, appropriate policies and procedures are established to control and limit these risks and proper resources are available for evaluating and controlling these risks. The Asset Liability Committee (ALCO) of the bank monitors Balance Sheet risk and liquidity risks of the Bank.

Asset liability Committee (ALCO) reviews country's over all economic position, Bank's Liquidity position, ALM Ratios, Interest Rate Risk, Capital Adequacy, Deposit Advance Growth, Cost of Deposit & yield on Advance, F.E. Gap, Market Interest Rate, Loan loss provision adequacy and deposit-lending pricing strategy.



2.16.4 Prevention of Money Laundering

In recognition of the fact that financial institutions are particularly vulnerable to be used by money launderers. BRAC Bank has established Anti Money Laundering Policy. The purpose of the Anti Money Laundering Policy is to provide a guide line within which to comply with the laws and regulations regarding money laundering both at country and international levels and thereby to safeguard the bank from potential compliance, financial and reputation risk. KYC procedure has been set up with address verification. As a part of monitoring account transaction-the estimated transaction profile and high value transactions are being reviewed electronically. Training has been taken as a continuous process for creating/developing awareness among the officers.

2.16.5 Internal Control & Compliance

Internal Control is the mechanism in place on a permanent basis to control the activities in an organization, both at a central and at a departmental/divisional level. Management through Risk Management Department controls operational procedure of the bank. Internal Audit & Inspection team under Risk Management undertakes periodical and special audit of the branches, SME Unit Offices and Departments at Head Office for review of the operation and compliance of statutory requirement. In addition to the Internal Audit & Inspection team the Monitoring team conducts surprise inspection at the Branch, SME Unit and the Departments at Head Office as well. The Board Audit Committee reviews the reports of the Risk Management Department periodically.

2.17 Off Balance Sheet Items

Under general banking transactions, liabilities against acceptance, endorsements, and other obligations and bills against which acceptance has been given and claims exists thereagainst, have been shown as Off Balance Sheet items.

2.18 Related Party/(ies) Transactions

i) As on December 31, 2005, the bank had no transactions with the 'Related Party/(ies)' as defined in the BRPD Circulars No. 14 issued by the Bangladesh Bank on 25 June 2003.

ii) Name of Directors and the entities in which they have interest as on December 31, 2005

Sl. No.	Name of Director	Status with The Bank	Name of the firms/companies in which they have interest	Educational Qualification
01	Mr. Fazle Hasan Abed	Chairman	BRAC Concord Lands Ltd. BRAC Industries Ltd. BRAC Karnafuli Tea Co. Ltd. BRAC Kaiyacherra Tea Co. Ltd. BRAC banskhali Tea Co. Ltd. Kodala Tea Estate Ltd. Bangladesh Netting Factory Ltd.	FCMA, London
02	Mr. Syed Humayun Kabir	Director	BRAC Industries Ltd.	B. Sc (Hons), DU
03	Mr. Faruq A Chowdhury	Director	Delta Brac Housing Finance Corp. Ltd.	B.A (Hons), English
04	Mr. Quazi M. Shariful Ala, FCA	Director	Delta Brac Housing Finance Corp. Ltd.	Graduate in Economics from LSE, UK. FCA
05	Mr. Aminul Alam	Director	Bangladesh Netting Factory Ltd. BRAC Karnafuli Tea Co. Ltd. BRAC Kaiyacherra Tea Co. Ltd. BRAC banskhali Tea Co. Ltd. Kodala Tea Estate Ltd.	M. Sc (Physics), DU
06	Mr. Paul D Christensen	Director	Nil	MBA, Cornell University, USA
07	Mr. M. Ehsanul Haque	Managing Director	Nil	M. A (Economics)



iii) Significant contracts where bank is a party and wherein Directors have interest: Nil

iv) Shares issued to Directors and executives without consideration or exercisable at discount Nil

v) Lending Policies to related parties:

Lending to related parties is effected as per requirement of section 27(1) of the Bank Companies Act -1991.

vi) Loan and advances to Directors and their related concern: Nil

vii) Business other than Banking business with any related concern of the Directors as per Section 18(2) of the Bank Companies Act-1991. Nil

viii) Investment in the Securities of Directors and their related concern: Nil

2.19 Audit committee

An audit committee was constituted by the Board of Directors of BRAC Bank in its 23rd meeting held on March 02, 2003. Subsequently, the Board of directors in its 44th meeting held on September 20, 2004 reconstituted the Audit Committee as under:

Sl. No.	Name of Director	Status with the Bank	Status with the Committee	Educational Qualification
01	Mr. Syed Humayun Kabir	Director	Chairman	B.Sc
02	Mr. Aminul Alam	Director	Member	M.Sc
03	Mr. M. Ehsanul Haque	Managing Director	Member	M.A.

During the period December 31, 2005, the Audit Committee of the Board conducted 3 (three) meetings in which among others, the following issues were discussed:

- Reviewing the inspection report of Bangladesh Bank on Head Office., Agrabad, Motijheel and Gulshan branches.
- Reviewing the inspection report of different Head Office departments, Branches and SME Unit Offices conducted by the Bank's internal audit team from time to time.
- Reviewing the inspection reports of Head Office, Dhanmondi, Keranigonj and Beanibazar branch conducted by BRAC Audit Team.
- Reviewing the core risk management policies of the bank.

2.20 General

- a) Figures appearing in these accounts have been rounded off to the nearest Taka.
- b) Figures of previous year have been rearranged where ever considered necessary to conform the current year's presentation.



Particulars	Amount in Taka	
	31.12.2005	31.12.2004

3.0 Cash

A. Cash in hand:

Local Currency

Foreign Currency

153,957,910	53,253,090
6,550,197	2,478,764
160,508,107	55,731,854

B. Balance with Bangladesh Bank and its agent :

Local Currency:

Statutory Deposit

Foreign Currency

660,341,133	329,994,947
190,621,638	163,040,199
850,962,771	493,035,146
1,011,470,878	548,767,000

4.0 Balance with other banks and financial institutions

A. In Bangladesh (Note: 4.1)

B Outside Bangladesh (Note: 4.2)

1,140,010,459	1,355,257,225
22,515,829	4,341,185
1,162,526,288	1,359,598,410

4.1 Balance with other banks and financial institutions (in Bangladesh)

On Demand Deposit Accounts

Southeast Bank Ltd- Current Account

3,052	3,052
3,052	3,052

On Short Term Deposit (STD) Accounts

Southeast Bank Ltd-

ONE Bank Limited

Jamuna Bank Limited

Prime Bank

Bank Asia Limited

Pubali Bank Limited

Janata Bank

Bangladesh Krishi Bank

The City Bank Limited

Agrani Bank

Islami Bank (BD) Ltd.

United Commercial Bank Limited

National Bank Limited

Sonali Bank

The Oriental Bank Limited

Arab Bangladesh Bank Limited

Rupali Bank Limited

Uttara Bank Limited

5,677,599	16,274,088
18,128,350	18,977,553
-	21,934,856
1,000	-
67,736	2,184,778
209,480,467	54,367,207
101,548,636	(10,846,716)
139,853,145	31,146,426
13,884,391	15,460,696
30,556,432	3,137,686
3,238,836	2,062,763
2,019,568	535,475
1,060,356	762,384
2,344,042	(843,023)
995,753	100,000
250,000	-
6,670,784	-
10,000	-
535,787,095	155,254,173

On Fixed Deposit Accounts

Bank Asia Ltd.

National Housing Finance Company Ltd.

Prime Finance & Investment Leasing Co. Ltd.

Phoenix Leasing Company Limited

Industrial Promotion & Development Co. of BD Ltd.

Industrial & Infrastructure Development Finance Co. Ltd.

International Leasing & Financial Services Ltd.

Uttara Finance & Investment Limited

Islamic Finance & Investment Limited

Far East Finance & Investment Limited

Bangladesh Finance & Investment Co. Ltd.

Union Capital Limited

Industrial Development Leasing Company of BD. Ltd.

50,000,000	-
100,000,000	-
-	150,000,000
-	100,000,000
-	400,000,000
50,000,000	100,000,000
100,000,000	200,000,000
104,220,312	100,000,000
-	50,000,000
30,000,000	30,000,000
-	50,000,000
20,000,000	20,000,000
150,000,000	-
604,220,312	1,200,000,000
1,140,010,459	1,355,257,225



Particulars	Amount in Taka	
	31.12.2005	31.12.2004

4.2 Balance with other banks and financial institutions (Outside Bangladesh on Demand Deposit Accounts)

	Exchange Rate		
Standard Chartered Bank-NY (USD)	67.69	666,490	2,593,448
Mashreq Bank PSCNY (USD)	67.69	10,483	221,826
The Bank of Nova Scotia- USA (USD)	67.69	-	335,108
The Bank of Nova Scotia- Canada (CAD)	57.84	288,336	-
CITI Bank NA (USD)	67.69	131,004	-
AB Bank Mumbai (ACU/US Dollar)	67.69	6,705	445,478
Crescent Comm. Bank Karachi (ACU/US Dollar)	67.69	50,451	330,916
ICICI Mumbai (ACU/US Dollar)	67.69	5,650,457	-
Standard Chartered Bank-UK (GBP)	116.29	65,614	1,020,656
Hypo Veriens Bank Germany (EURO)	80.13	3,182,010	1,453,099
HSBC - NY (USD)	67.69	11,360,514	(2,493,489)
HSBC - UK (GBP)	116.29	468,387	408,598
HSBC - AUS (AUD)	49.08	241,771	-
Standard Chartered Bank - UK (EURO)	80.13	-	25,545
U.B.A.F (JPY)	0.55	111,102	-
Westpack Banking Corporation, (AUD)	49.08	282,505	-
(Annex-1)		22,515,829	4,341,185

5.0 Money at call and on short notice

Banking Company

Financial Institution:

Delta Brac Housing Finance Corp. Ltd.
Peoples Leasing Co. Ltd.
Fareast Finance & Investment Ltd.
Industrial Promotion & Development Company of BD Ltd.
International Leasing & Financial Services Ltd.
Industrial & Infrastructure Development Finance Co. Ltd.
National Housing Finance Co. Ltd.

30,000,000	-
-	10,000,000
-	20,000,000
50,000,000	50,000,000
-	50,000,000
-	100,000,000
-	60,000,000
80,000,000	290,000,000

6.0 Investments

Government Securities (Note: 6.1)

Other Investments (Note: 6.2)

1,873,314,600	1,370,407,800
290,500,000	255,500,000
2,163,814,600	1,625,907,800

6.1 Government Securities

Treasury Bills
Treasury Bonds
Prize Bonds

842,600,000	440,000,000
1,030,000,000	930,000,000
714,600	407,800
1,873,314,600	1,370,407,800



Particulars	Amount in Taka	
	31.12.2005	31.12.2004

6.2 Other Investments

Ordinary Shares

Industrial & Infrastructure Development Finance Co. Ltd.
(100,000 ordinary shares of Tk. 100 each fully paid)

10,000,000 10,000,000

Bank Asia Limited
(2,300 ordinary shares of Tk. 100 each fully paid)

230,000 230,000

Mercantile Bank Limited
(2,700 ordinary shares of Tk. 100 each fully paid)

270,000 270,000

Central Depository Bangladesh Limited
(40,000 ordinary shares of Tk. 100 each fully paid)

4,000,000 4,000,000

14,500,000 14,500,000

Preference Shares

United Cement Industries Ltd.
(200 preference shares of Tk. 100 each at a premium of Tk.
99,900 per share at a fixed dividend of Tk. 110,000 per share
redeemable after 5 years)

20,000,000 20,000,000

20,000,000 20,000,000

Debentures

GSP Finance Company (BD.) Limited
United Leasing Company

- 25,000,000

100,000,000 100,000,000

100,000,000 125,000,000

Bonds

DBBL Bonds

Zero Coupon Bonds

Industrial and Infrastructure Development Finance Co. Ltd.

Industrial Development and Leasing Company Ltd.

United Leasing Company Ltd.

66,000,000 66,000,000

50,000,000 -

10,000,000 -

126,000,000 66,000,000

290,500,000 255,500,000

6.3 Maturity wise Grouping

Upto 1 Month

From 1 - 3 Months

From 3 - 12 Months

From 1 - 5 years

More than 5 years

70,714,600 407,800

442,600,000 -

- -

456,000,000 1,404,500,000

1,194,500,000 221,000,000

2,163,814,600 1,625,907,800

7.0 Loans and Advances

Overdrafts

Demand Loans

Term Loans

Lease Finance (Note: 7.2)

Loan to Small & Medium Enterprises

Staff Loans

1,300,948,646 848,818,743

965,503,471 157,252,245

4,278,213,605 1,403,432,069

339,148,317 204,729,500

4,852,960,094 3,190,030,101

52,344,311 15,019,846

11,789,118,444 5,819,282,504

2,194,078 510,000

11,791,312,522 5,819,792,504

Bills purchased & discounted

7.1 Maturity wise Grouping

Up to 1 months

More than 1 months but not more than 3 months

More than 3 months but not more than 1 Year

More than 1 year but not more than 5 years

More than 5 years

1,127,324,795 264,052,557

555,690,003 130,055,737

2,703,883,776 1,808,856,353

7,274,148,048 3,610,358,478

130,265,900 6,469,379

11,791,312,522 5,819,792,504



Particulars	Amount in Taka	
	31.12.2005	31.12.2004

7.2 Investment in Lease Finance

Lease finance receivables within 1 year
Lease finance receivables within 5 year
Total Lease finance receivable

8,862,532	-
330,285,785	204,729,500
339,148,317	204,729,500

7.3 Loans and Advances under the following broad categories

Inside Bangladesh

Loans
Overdrafts

10,490,229,188	4,970,973,761
1,301,083,334	848,818,743
11,791,312,522	5,819,792,504

Outside Bangladesh

Loans
Cash Credits
Overdrafts

-	-
-	-
-	-
11,791,312,522	5,819,792,504

7.4 Geographical Location Wise Grouping

Inside Bangladesh

Dhaka Division
Chittagong Division
Khulna Division
Sylhet Division
Barisal Division
Rajshahi Division

7,884,679,821	3,783,262,999
2,044,006,962	837,846,493
662,762,391	349,439,292
182,244,954	140,030,048
336,867,661	158,377,737
680,750,733	550,835,935
11,791,312,522	5,819,792,504

Outside Bangladesh

-	-
11,791,312,522	5,819,792,504

7.5 Significant Concentration wise Grouping

Directors & Others
Managing Director
Customers
Industries
Other Advances (staff)

1,434,865	1,097,345
10,554,033,210	5,486,532,288
1,183,500,135	318,240,370
52,344,312	13,922,501
11,791,312,522	5,819,792,504

7.6 Grouping as per Classification Rules

Unclassified
Sub Standard
Doubtful
Bad/Loss

11,526,133,585	5,705,378,689
98,633,410	38,366,332
104,738,534	51,482,884
61,806,993	24,564,599
11,791,312,522	5,819,792,504



Particulars	Amount in Taka	
	31.12.2005	31.12.2004

7.7 Particulars of required provisions for loans and advance

Status	Base for Provision	Rate (%)		
Unclassified-General provision	11,347,606	Corporate & Medium 1% and Small &		
Special Mentioned Account	119,134,216	Retail 2%	195,581,933	59,936,016
Classified - Specific provision		5%	5,956,711	-
Sub-standard	90,168,545			
Doubtful	89,817,183	20	18,033,709	6,729,090
Bad/Loss	48,677,371	50	44,908,592	19,070,414
		100	48,677,371	20,453,462
Required provision for loans and advances			111,619,672	46,252,966
Total provision maintained			313,158,315	106,188,982
Excess/(Short) provision at 31 December 2005			340,020,211	147,029,982
			26,861,896	40,841,000

7.8 Particulars of Loans and Advances

i) Loans considered good in respect of which Bank is fully secured	1,864,409,722	5,623,745,487
ii) Loans considered good for which Bank holds no other security than the debtor's personal guarantee	472,068,013	146,565,640
iii) Loans considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtors	9,454,834,787	49,481,377
iv) Loans adversely classified, provision not maintained thereagainst	-	-
	11,791,312,522	5,819,792,504
v) Loans due by directors or officers of the banking company or any of these either separately or jointly with any other persons.	52,344,311	15,019,846
vi) Loans due from companies or firms in which the directors of the banking company have interest 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 banking companies or any of them either separately or jointly with any other person.	-	-
viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the banking company have interest as directors, partners or managing agents or in case of private companies, as members.	-	-
ix) Due from banking companies	-	-
x) Amount of Classified loans on which interest has not been charged should be mentioned as follows:		
a. Decrease/increase in provision, amount of loan written off and amount realized against loan previously written off.	-	-
b. Amount of provision kept against loan classified as "bad/loss" on the date of preparing the balance sheet	-	-
c. Interest creditable to the Interest Suspense A/c.	56,602,970	3,697,530
xi) Cumulative amount of the written off loan and the amount written off during the current year should be shown separately. The amount of written off loan for which lawsuit has been filed should also be mentioned.	Cumulative Case Filled	52,017,766 52,017,766



Particulars	Amount in Taka	
	31.12.2005	31.12.2004
7.9 The directors of the Bank have not taken any loan from the Bank during the year or there is no outstanding loan balances with any director of the Bank.		
8.0 Fixed assets including premises, furniture and fixtures		
Cost		
Less: Depreciation	183,193,657	34,154,267
Written down value (Notes 2.5 & Annexur-2)	22,626,500	3,474,766
	<u>160,567,157</u>	<u>30,679,501</u>
9.0 Other Assets		
Stock of stamps	176,558	102,271
Interest receivables	63,909,198	53,903,871
Other receivables	4,664,647	612,030
Stock of security stationery	2,470,561	702,258
Stock of printing stationery	4,662,997	859,539
Prepaid expenses	78,264,837	4,444,459
Deffered revenue expenditure	6,946,513	830,000
Advance payment of income tax	221,751,459	81,645,290
Advance to staff for mobile phone purchase	251,560	168,990
Advance to staff for motor cycle purchase	33,048,490	31,636,424
Advance against branches	33,851,177	37,213,725
Advance against office rent	31,461,106	36,618,299
Advance security deposit	520,090	134,090
Advance against SWIFT	2,157,655	2,397,394
Sanchayapatra	3,853,775	5,939,387
Travelers cheque	1,495,786	760,707
Preliminary expenses (Note 9.2)	-	-
Pre-operating expenses (Note 9.3)	-	-
Interbranch Account	-	-
Frauds, forgeries and operating loss	16,776,285	83,166,811
	55,000	55,000
	<u>506,317,694</u>	<u>341,190,545</u>
9.1 Non Income generating Other Assets		
Stock of stamps	176,558	102,271
Other receivables	4,664,647	612,030
Stock of security stationery	2,470,561	702,258
Stock of printing stationery	4,662,997	859,539
Prepaid expenses	78,264,837	4,444,459
Deffered revenue expenditure	6,946,513	830,000
Advance payment of income tax	221,751,459	81,645,290
Advance to staff for mobile phone purchase	251,560	168,990
Advance to staff for motor cycle purchase	33,048,490	31,636,424
Advance against branches	33,851,177	37,213,725
Advance against rent (office)	31,461,106	36,618,299
Advance security deposit	520,090	134,090
Advance against SWIFT	2,157,655	2,397,394
Fraud, forgeries and operating loss	55,000	55,000
Preliminary expenses (Note 9.2)	-	-
Pre-operating expenses (Note 9.3)	-	-
Interbranch Account	-	-
	16,776,285	83,166,811
	<u>437,058,935</u>	<u>280,586,580</u>
9.2 Preliminary Expenses		
Opening Balance	-	100,536
Less: Written off during the year	-	100,536
	-	-
9.3 Pre-operating Expenses		
Opening Balance	-	3,013,084
Less: Written off during the year	-	3,013,084
	-	-



			Amount in Taka	
Particulars			31.12.2005	31.12.2004
10.0 Borrowings from other Banks, Financial Institutions and Agents				
In Bangladesh, secured and on demand				
Bangladesh Bank	Interest Rate (%)	Tenor		
Commercial Bank	5-6	3-5 years	763,391,667	568,208,333
Uttara Bank Limited	10.50	3 months	100,000,000	-
One Bank Limited	10.65	3 months	100,000,000	-
Commercial Bank of Ceylon	10.50	1 months	100,000,000	-
United Commercial Bank Limited	11.25	3 months	100,000,000	-
			400,000,000	-
Money at Call & on Short Notice				
The City Bank Limited			100,000,000	-
Pubali Bank Limited			100,000,000	-
Premier Bank Limited			10,000,000	-
Agrani Bank			100,000,000	-
			310,000,000	-
			1,473,391,667	568,208,333
11.0 Deposit and Other Accounts				
Current accounts & other accounts			3,288,528,993	931,965,861
Bills payable			122,593,253	51,615,293
Saving deposits			1,863,763,753	1,082,602,445
Fixed deposits			8,051,558,273	6,044,952,355
Other deposits (Note - 11.2)			82,566,118	57,842,912
			13,409,010,390	8,168,978,866
11.1 Maturity Wise Grouping				
Payable on demand			865,759,745	629,549,903
Payable within 1 month			3,005,838,102	1,794,623,001
Over 1 month but within 6 months			4,033,855,977	1,503,542,846
Over 6 month but within 1 year			3,654,408,081	2,500,704,332
Over 1 year but within 5 years			1,636,837,195	1,691,326,732
Over 5 years but within 10 years			212,311,290	49,232,052
			13,409,010,390	8,168,978,866
11.2 Other Deposits				
Foreign currency deposit			1,737,932	2,899,676
Sundry deposit			80,828,186	54,943,236
			82,566,118	57,842,912
12.0 Other Liabilities				
Provisions for loans & advances	(Note : 12.1)		340,020,211	147,029,982
Provisions for others			544,313	-
Interest suspense			56,602,970	13,657,843
Withholding tax payable			6,716,350	4,591,331
Provision for taxation (Including deferred tax)			254,192,158	110,552,935
Interest payable			221,083,768	161,204,070
Accrued expenses			38,289,771	27,881,187
Excise duty			13,984,965	11,000,208
VAT payable			2,971,061	93,119
Others			19,955,035	69,035,952
Exchange equalization account			45,000	45,000
Sundry creditors			12,525	7,530
Other bank cheque clearing account			2,330,471	129,909
Un-earned interest on treasury bill			37,879,564	62,033,266
Un-earned interest on treasury bond			63,509,756	54,134,778
Un earned interest on Zero Coupon Bond			6,218,287	11,688,177
Payable A/C - CPC			3,141,439	4,148,563
Margin on L/C			47,487,118	9,600,000
Margin on L/G			3,135,410	1,707,902
Repo with Bangladesh Bank & Other Banks			92,600,000	-
			1,210,720,172	688,541,752



Particulars	Amount in Taka	
	31.12.2005	31.12.2004

12.1 Provision for loans and advances:

A Specific

Provisions held at the beginning of the year	86,987,669	8,183,177
Add: provision made during the year	99,091,518	78,894,262
	186,079,187	87,077,439
Less : Adjustment during the year	52,017,766	89,770
Provision held at the end of the year	134,061,421	86,987,669

B General

Provisions held at the beginning of the year	60,042,313	28,403,205
Add: provision made during the year	145,916,477	31,639,108
Provision held at the end of the year	205,958,790	60,042,313
Net Actual provision at the end of year (A+B)	340,020,211	147,029,982

13.0 Share Capital

13.1 Authorised Capital

10,000,000 ordinary shares of Tk. 100 each	1,000,000,000	1,000,000,000
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13.2 Issued, Subscribed and Paid up Capital

5,000,000 ordinary share of Tk. 100/- each fully paid.	500,000,000	500,000,000
--	--------------------	--------------------

13.3 Shareholder wise Grouping

	No. of Shares		
BRAC	3,173,900	317,390,000	317,390,000
ShoreCap International Limited	875,700	87,570,000	87,570,000
International Finance Corporation (IFC)	949,800	94,980,000	94,980,000
Others	600	60,000	60,000
	5,000,000	500,000,000	500,000,000

13.4 Capital Adequacy Ratio

(Calculated as per BRPD Circular No. 10 issued by Bangladesh Bank on 25th November, 2002)

Tier - I (Core Capital)

Paid up Capital	500,000,000	500,000,000
Share Premium	-	-
Statutory Reserve	58,396,570	19,860,550
Retained Earnings	224,490,339	70,346,259
	782,886,909	590,206,809

Tier - II (Supplementary Capital)

General Provision	205,958,790	60,042,313
Exchange Equalization Fund	45,000	45,000
	206,003,790	60,087,313

Total Capital	988,890,700	650,294,122
Total Risk Weighted Assets	10,534,864,000	6,406,778,500
Required Assets based on Risk Weighted Assets (9%)	948,137,760	576,610,065
Surplus/ (Deficiency)	40,752,940	73,684,057

Capital Adequacy Ratio:

On core capital (against standard of minimum 4.5%)	7.43%	9.21%
On actual capital (against standard of minimum 9.0%)	9.39%	10.15%



Particulars	Amount in Taka	
	31.12.2005	31.12.2004

14.0 Statutory Reserve

Opening balance	19,860,550	-
Add : Transferred from profit during the year	38,536,020	19,860,550
	<u>58,396,570</u>	<u>19,860,550</u>

15.0 Surplus of Profit and Loss Account

Opening Balance	70,346,259	(9,095,940)
Add : Surplus during the year	154,144,081	79,442,199
	<u>224,490,340</u>	<u>70,346,259</u>

16.0 Interest Income

Interest on loans and advances- Retail	290,619,137	84,104,775
Interest on loans and advances- Corporate	291,491,605	118,767,127
Interest on loans and advances- Lease Finance	29,413,346	7,108,320
Interest on loans and advances- SME	849,753,607	604,996,504
Interest on loans and advances- Staff	2,377,030	740,833
	<u>1,463,654,725</u>	<u>815,717,559</u>

17.0 Interest Paid on Deposit and Borrowings etc.

Interest on deposits	788,875,084	418,216,107
Interest on money at call and on short notice	22,882,014	11,658,552
Interest on borrowings from Bangladesh Bank	38,972,111	11,031,370
	<u>850,729,209</u>	<u>440,906,029</u>

18.0 Investment Income

Interest on treasury bills & bonds	129,648,597	50,105,806
Interest on Debenture	12,922,222	6,058,333
Interest on money at call and short notice	18,219,751	41,620,871
Dividend on shares	2,500,000	2,200,000
Interest on fixed deposits with other banks	109,769,174	57,035,345
Interest on STD accounts with other banks	8,963,091	5,506,647
Interest on the balance with Bangladesh Bank	319,032	-
interest on zero coupon bond	9,725,291	4,440,108
	<u>292,067,158</u>	<u>166,967,110</u>

19.0 Commission, Exchange and Brokerage etc.

Commission from sale of sanchaya patra	789,435	371,110
Commission from issue of payment orders	1,481,823	1,946,399
Commission from issue of letter of guarantee	811,161	284,937
Commission from issue of letters of credit (Import & Export)	12,564,777	1,999,584
Commission from remittances	29,754	19,852
Commission on Underwriting Contract	20,000	-
Commission on Visa Processing	2,121,658	-
Account Activity fees	7,823,755	1,911,542
Import & Export related fees	2,312,090	657,475
Other fees	47,766,035	12,270,674
Foreign Exchange earnings	91,249,436	48,034,014
Cancellation fees	61,900	47,620
Cheque collection fees	373,929	192,749
Fees on Income Remittances	4,145,139	-
Loan processing fees	99,522,131	69,481,943
	<u>271,073,023</u>	<u>137,217,899</u>

20.0 Director's Fees & Expenses

It represents fees paid for attending board meeting @ Tk. 2,500 per director per board meeting and travel & accommodation expenses of Foreign Director for attending the board meeting.



Particulars	Amount in Taka	
	31.12.2005	31.12.2004
21.0 Other Expenses		
Transportation & conveyance	17,991,075	10,281,779
Fuel Expenses	2,122,026	1,861,175
Travelling	11,573,654	5,896,481
Professional fees	2,243,358	2,251,595
Entertainment	798,010	564,810
Staff Welfare	8,624,245	5,327,415
SWIFT	2,022,638	1,034,567
Branch development	7,275,066	2,417,020
Books, News papers and periodicals	1,159,374	710,370
Donation and subscription	1,602,836	1,177,050
VAT & Excise duty	182,792	55,099
Fraud, Forgeries & Operating Loss	6,322	950,000
Medical Expenses	-	3,589,726
Leave Encashment	584,145	3,621,050
Staff Training	5,988,376	3,940,954
Staff Liveries	615,672	246,855
Staff Recruitment	492,473	55,421
Bank charges	14,067,361	5,230,895
Croceries	357,267	164,513
Miscellaneous	158,653	161,039
	<u>77,865,343</u>	<u>49,537,814</u>
22.0 Provision for Loans & Advances		
For classified loans & advances	99,091,518	78,894,262
For unclassified loans & advances	145,916,477	31,639,108
	<u>245,007,995</u>	<u>110,533,370</u>
23.0 Income Tax		
Current tax provision	139,777,786	111,000,000
Deferred tax provision	7,902,214	-
	<u>147,680,000</u>	<u>111,000,000</u>
23.1 Provision for Taxes		
Tk. 139,777,786 has been provided for the year.		
Deferred Tax		
Deferred tax is provided using the liability method for timing differences arising between the tax base of assets and liabilities and their carrying values for reporting purposes as per Bangladesh Accounting Standard (BAS)-12. During the year under review, an amount of Tk. 7,902,214 has been provided for the year.		
23.2 Contingent Liabilities (Taxation)		
Pre-operating expenses were shown as allowable expenses in the return for the income year 2001 (assessment year 2002-2003). After filing of the relevant return, the Tax Authority disallowed these expenses. BRAC Bank Ltd. filed an appeal against order of the Tax Authority to the Additional Commissioner of Taxes (Appeal) who allowed these expenses. In response, the Tax Authority filed a further appeal against the order of the Additional Commissioner of Taxes (Appeal) to the Taxes Appellate Tribunal who again disallowed these expenses. BRAC Bank Ltd. intends to file an appeal to The Honorable Supreme Court of Bangladesh, High Court Division for revision in this matter and it is under process.		
24.0 Weighted Average Earnings Per Share		
Profit after Taxation	192,680,100	99,302,749
Weighted Average Number of Shares	5,000,000	4,287,650
Weighted Average Earnings per Share	38.54	23.16
25.0 Cash & Cash Equivalent		
Cash in hand (including foreign currency)	160,508,107	55,731,854
Balance with Bangladesh Bank and its agents banks (including foreign currency)	850,962,771	493,035,146
Balance with other banks and financial institutions	1,162,526,288	1,359,598,410
Money at call and on short notice	80,000,000	290,000,000
	<u>2,253,997,166</u>	<u>2,198,365,410</u>



Particulars	Amount in Taka	
	31.12.2005	31.12.2004

26.0 Number of Employees

The number of Employees engaged for the whole year or part thereof who received a total remuneration of Tk. 36,000 per annum or above were 1,650 (full time and contract time employees).

27.0 Post Balance Sheet Events:

No material non-disclosed events occurred after Balance Sheet date other than issuance of redeemable cumulative preference share of Taka 150,000,000 which could affect the ability of the users of the financial statement to make proper evaluation and decisions.


28.0 Coverage of External Audit:

The external auditor of the Bank, M/s. S. F. Ahmed & Co., Chartered Accountants worked about 2,112 man hours at head office, all branches and 20 SME Unit Offices and also audited above 80% of the Bank's risk weighted assets.


Managing Director

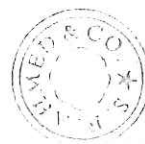



Director

 
Director Chairman

BRAC Bank Limited
Balance with other bank and financial institutions (Outside Bangladesh on Demand Deposit Accounts)
As at December 31, 2005

Name of Bank	A/C Type	2005			2004		
		FC Amount	Exchange Rate	Equivalent Taka	FC Amount	Exchange Rate	Equivalent Taka
Standard Chartered Bank-NY (USD)	CD	9,847	67.69	666,489	43,052	60.24	2,593,448
Mashreq Bank PSCNY (USD)	CD	155	67.69	10,483	3,682	60.24	221,826
The Bank of Nova Scotia- USA (USD)	CD	-	67.69	-	5,563	60.24	335,108
The Bank of Nova Scotia- Canada (CAD)	CD	986	57.84	288,336	-	-	-
CITI Bank NA (USD)	CD	1,935	67.69	131,004	-	-	-
AB Bank Mumbai (ACU Dollar)	CD	99	67.69	6,705	7,395	60.24	445,478
Crescent Comm. Bank Karachi (ACU Dollar)	CD	745	67.69	50,451	5,493	60.24	330,916
ICICI Mumbai (ACU Dollar)	CD	83,482	67.69	5,650,457	-	-	-
Standard Chartered Bank-UK (GBP)	CD	564	116.29	65,614	8,834	115.54	1,020,656
Hypo Veriens Bank Germany (EURO)	CD	39,711	80.13	3,182,010	17,748	81.88	1,453,099
HSBC - NY (USD)	CD	167,844	67.69	11,360,514	(41,393)	60.24	(2,493,489)
HSBC - UK (GBP)	CD	4,028	116.29	468,387	3,537	115.54	408,599
HSBC - AUS (AUD)	CD	4,926	49.08	241,771	-	-	-
Standard Chartered Bank - UK (EURO)	CD	-	80.13	-	312	81.88	25,545
U.B.A.F (JPY)	CD	202,004	0.55	111,102	-	-	-
Westpack Banking Corporation, (AUD)	CD	5,756	49.08	282,505	-	-	-
Total				22,515,829			4,341,185



BRAC Bank Limited
Schedule of Fixed Asset

Particulars	C O S T			Rate of Dep. %	D E P R E C I A T I O N				Written down value 31.12.2005
	Balance as on 01.01.05	Addition during the year	Amortization during the year		Balance as on 01.01.05	Charged during the year	Adjustment during the year	Balance as on 31.12.2005	
Furniture & fixture	8,514,570	53,619,263	-	10	1,096,477	3,715,141	-	4,811,618	57,322,215
Leasehold premises	4,639,000	-	250,000	*	140,577	44,333	7,576	177,334	4,211,666
Office Equipments	4,257,130	20,128,034	-	20/50	568,024	3,889,954	-	4,457,978	19,927,186
Office Machineries	2,494,834	8,668,435	-	20	496,886	1,598,678	-	2,095,564	9,067,703
Computer Hardware	10,440,533	43,616,525	-	33.33	932,133	7,833,134	-	8,765,267	45,291,791
Computer Software	3,808,200	14,152,338	-	10	240,669	1,351,555	-	1,592,224	16,368,314
Motor Vehicle	-	9,104,795	-	20	-	726,515	-	726,515	8,378,280
Total	34,154,267	149,289,390	250,000		3,474,766	19,159,310	7,576	22,626,500	160,567,157
Last year position	8,019,016	26,135,251	-		570,805	2,903,961	-	3,474,766	30,679,501

