

**BRAC Bank Limited**

Report and financial statements as at and  
for the year ended 31 December 2008



**Rahman Rahman Huq**

**Chartered Accountants**

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**Auditors' report  
to the shareholders of  
BRAC Bank Limited**

We have audited the accompanying balance sheet of BRAC Bank Limited ("the Bank") as at 31 December 2008 and the related profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and explanatory notes to the financial statements. 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). Those 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 used and significant estimates made by management, as well as evaluating the overall financial statement 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) and Bangladesh Financial Reporting Standards (BFRS) give a true and fair view of the state of the Bank's affairs as at 31 December 2008 and of the results of its operations and its cash flows for the year then ended and comply with the Bank Companies Act 1991, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 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;
- ii) in our opinion, proper books of account 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 purposes of our audit have been received from branches not visited by us;
- iii) the Bank's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns;
- iv) the expenditure incurred was for the purposes of the Bank's business;
- v) the financial position of the Bank at 31 December 2008 and the profit for the year then ended have been properly reflected in the financial statements, and the financial statements have been prepared in accordance with the generally accepted accounting principles;
- vi) the financial statements have been drawn up in conformity with the Bank Companies Act 1991 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank;
- vii) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;

# BRAC Bank Limited

## Balance Sheet as at 31 December 2008

<b><u>PROPERTY AND ASSETS</u></b>	<b><u>Notes</u></b>	<b><u>2008</u> <u>Taka</u></b>	<b><u>2007</u> <u>Taka</u></b>
<b>Cash:</b>	4		
In hand (including foreign currencies)		908,567,282	511,730,011
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		3,407,320,718	2,602,841,460
		4,315,888,000	3,114,571,471
<b>Balance with other banks and financial institutions:</b>	5		
In Bangladesh		2,925,484,028	2,894,113,161
Outside Bangladesh		269,487,085	170,449,420
		3,194,971,113	3,064,562,581
<b>Money at call and on short notice</b>	6	-	100,000,000
<b>Investments:</b>	7		
Government securities		7,880,195,243	4,893,785,452
Others		365,178,030	103,071,265
		8,245,373,273	4,996,856,717
<b>Loans and advances:</b>	8		
Loans, cash credits, overdrafts, etc.		52,665,236,558	32,446,123,378
Bills purchased and discounted		11,480,182	14,978,802
		52,676,716,740	32,461,102,180
<b>Fixed assets including premises, furniture and fixtures</b>	9	1,472,024,279	942,929,286
<b>Other assets</b>	10	2,536,919,986	1,702,573,183
<b>Non-banking assets</b>	11	-	-
<b>Total assets</b>		<u>72,441,893,391</u>	<u>46,382,595,418</u>
<b><u>LIABILITIES AND CAPITAL</u></b>			
<b>Liabilities:</b>			
Borrowings from other banks, financial institutions and agents	12	2,280,000,000	2,240,000,000
<b>Deposits and other accounts:</b>	13		
Current deposits and other accounts		7,652,002,774	5,543,600,799
Bills payable		424,455,762	409,015,536
Savings bank deposits		4,627,686,658	3,985,564,159
Fixed deposits		43,399,790,445	27,307,976,283
Bearer certificate of deposits		-	-
Other deposits		1,902,951,371	122,250,997
		58,006,887,010	37,368,407,774
<b>Other liabilities</b>	14	6,717,480,730	3,702,158,970
<b>Total liabilities</b>		<u>67,004,367,740</u>	<u>43,310,566,744</u>





	Notes	2008 Taka	2007 Taka
<b>Capital/shareholders' equity:</b>			
Paid up capital	15.2	1,584,000,000	1,200,000,000
Redeemable preference share capital	16	500,000,000	500,000,000
Share premium	17	1,406,000,000	350,000,000
Statutory reserve	18	908,762,089	504,071,923
Revaluation reserve	19	118,846,147	-
Exchange equalisation reserve		45,000	45,000
Retained earnings	20	919,872,415	517,911,751
<b>Total shareholders' equity</b>		<b>5,437,525,651</b>	<b>3,072,028,674</b>
<b>Total liabilities and shareholders' equity</b>		<b>72,441,893,391</b>	<b>46,382,595,418</b>

#### OFF BALANCE SHEET ITEMS

##### **Contingent liabilities:**

Acceptances and endorsements	35	136,773,626	222,882,782
Letters of guarantee		425,080,706	269,968,985
Irrevocable letters of credit		1,570,706,657	1,437,314,301
Bills for collection		8,570,591	69,227,653
Tax liability		3,367,206	3,367,206
Other contingent liabilities		16,496,673	153,785,106
		<b>2,160,995,459</b>	<b>2,156,546,033</b>

##### **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	-	-
<b>Total off balance sheet items including contingent liabilities</b>	<b>2,160,995,459</b>	<b>2,156,546,033</b>

The annexed notes 1 to 37 form an integral part of these financial statements.

  
Managing Director & CEO

  
Director

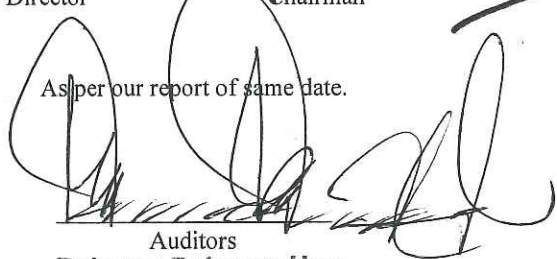
  
Director

  
Chairman

Dhaka, 15 March 2009



As per our report of same date.

  
Auditors  
**Rahman Rahman Huq**  
Chartered Accountants



**BRAC Bank Limited**  
**Profit and Loss Account**  
for the year ended 31 December 2008

	Notes	2008 Taka	2007 Taka
Interest income	22	8,021,101,674	4,633,346,578
Interest paid on deposits, borrowings, etc.	23	(4,865,091,805)	(2,571,236,238)
<b>Net interest income</b>		<b>3,156,009,869</b>	<b>2,062,110,340</b>
Income from investment	24	909,126,833	693,142,387
Commission, exchange and brokerage	25	1,951,193,720	771,783,604
Other operating income		19,853,415	16,113,551
<b>Total operating income</b>		<b>6,036,183,837</b>	<b>3,543,149,882</b>
Salaries and allowances		1,422,467,134	789,774,456
Rent, taxes, insurance, electricity etc.	26	201,185,595	109,452,384
Legal expenses		6,659,649	4,753,874
Postage, stamps, telecommunication, etc.	27	153,973,003	99,026,739
Stationery, printing, advertisement etc.	28	212,445,802	134,980,937
Managing Director & CEO's salary and fees		21,606,094	8,332,800
Directors' fees and expenses	29	729,715	399,144
Auditors' fees		753,125	622,500
Depreciation on and repairs to bank's assets	30	320,428,159	178,180,999
Other expenses	31	522,029,311	272,133,522
<b>Total operating expenses</b>		<b>2,862,277,587</b>	<b>1,597,657,356</b>
<b>Profit before provisions</b>		<b>3,173,906,250</b>	<b>1,945,492,526</b>
<b>Provisions for:</b>			
Loans and advances	32	1,138,548,420	668,649,664
Diminution in value of investments		-	-
Off balance sheet items	33	11,907,000	12,500,000
Others		-	7,225
<b>Total provisions</b>		<b>1,150,455,420</b>	<b>681,156,889</b>
<b>Profit before tax</b>		<b>2,023,450,830</b>	<b>1,264,335,637</b>
Provision for tax:			
Current		1,220,000,000	766,000,000
Deferred		(170,000,000)	(120,000,000)
		1,050,000,000	646,000,000
<b>Profit after tax</b>		<b>973,450,830</b>	<b>618,335,637</b>
<b>Appropriations:</b>			
Statutory reserve		404,690,166	252,867,127
General reserve		-	-
Proposed dividend		-	-
		404,690,166	252,867,127
<b>Retained earnings</b>		<b>568,760,664</b>	<b>365,468,510</b>
<b>Basic earnings per share</b>	34	<b>62.30</b>	<b>42.30</b>

The annexed notes 1 to 37 form an integral part of these financial statements.

  
Managing Director & CEO

  
Director

  
Director

  
Chairman

As per our report of same date.

  
Auditors

**Rahman Rahman Huq**  
Chartered Accountants

Dhaka, 15 March 2009

# BRAC Bank Limited

## Statement of Changes in Equity for the year ended 31 December 2008

	Ordinary share capital Taka	Redeemable preference share capital Taka	Share premium Taka	Statutory reserve Taka	Revaluation reserve Taka	Exchange equalisation reserve Taka	Retained earnings Taka	Total Taka
Balance as at 1 January 2007	1,000,000,000	150,000,000	350,000,000	251,204,796	-	45,000	365,943,241	2,117,193,037
Issue of redeemable preference share	-	350,000,000	-	-	-	-	-	350,000,000
Statutory reserve	-	-	-	252,867,127	-	-	-	252,867,127
Issue of bonus share	200,000,000	-	-	-	-	-	(200,000,000)	-
Dividends on preference share	-	-	-	-	-	-	(13,500,000)	(13,500,000)
Net profit for the year	-	-	-	-	-	-	365,468,510	365,468,510
Balance as at 31 December 2007	1,200,000,000	500,000,000	350,000,000	504,071,923	-	45,000	517,911,751	3,072,028,674
Statutory reserve	-	-	-	404,690,166	-	-	-	404,690,166
Revaluation reserve	-	-	-	-	118,846,147	-	-	118,846,147
Share premium	-	-	1,056,000,000	-	-	-	-	1,056,000,000
Issue of bonus share	120,000,000	-	-	-	-	-	(120,000,000)	-
Issue of right share	264,000,000	-	-	-	-	-	-	264,000,000
Dividends on preference share	-	-	-	-	-	-	(46,800,000)	(46,800,000)
Net profit for the year	-	-	-	-	-	-	568,760,664	568,760,664
Balance as at 31 December 2008	1,584,000,000	500,000,000	1,406,000,000	908,762,089	118,846,147	45,000	919,872,415	5,437,525,651

**BRAC Bank Limited**  
**Cash Flow Statement**  
for the year ended 31 December 2008

	Notes	2008 Taka	2007 Taka
<b>A) Cash flows from operating activities:</b>			
Interest receipt		8,752,901,827	4,922,951,545
Interest payment		(4,308,796,588)	(2,252,942,906)
Dividend receipt		6,400,000	5,087,381
Fees and commissions receipt		1,951,193,720	774,387,965
Cash payment to employees		(1,320,858,916)	(776,229,023)
Cash payment to suppliers		(359,009,559)	(235,006,534)
Income tax paid		(809,274,043)	(355,091,639)
Receipt from other operating activities	36.1	19,853,415	16,113,551
Payment for other operating activities	36.2	(690,261,152)	(422,069,222)
<i>Cash generated from operating activities before changes in operating assets and liabilities</i>		3,242,148,704	1,677,201,118
 Increase/(decrease) in operating assets and liabilities:			
Loans and advances		(20,215,614,560)	(12,903,936,800)
Other assets		(239,704,724)	98,137,075
Deposits from customers		20,638,479,236	14,366,486,085
Other liabilities		294,581,854	(1,378,579,293)
		477,741,806	182,107,067
<i>Net cash inflow from operating activities (i+ii)</i>		3,719,890,510	1,859,308,185
 <b>B) Cash flows from investing activities:</b>			
Encashment of treasury bills		848,242,240	494,284,989
Investment in treasury bonds		(3,617,744,127)	(1,833,497,304)
Sale/(investment) of shares		-	(50,000,000)
Redemption of debenture		-	100,000,000
Investment in bonds		(270,000,000)	-
Encashment of zero coupon bonds		7,893,235	59,942,969
Encashment of prize bonds		(824,000)	424,700
Acquisition of fixed assets		(765,393,785)	(685,128,143)
Proceeds from disposal of fixed assets		946,357	490,000
<i>Net cash outflow from investing activities</i>		(3,796,880,080)	(1,913,482,789)
 <b>C) Cash flows from financing activities:</b>			
Receipt from issue of redeemable preference shares		-	350,000,000
Receipt from issue of right shares		264,000,000	-
Receipt from share premium		1,056,000,000	-
Payment of dividend on preference share		(46,800,000)	(13,500,000)
Payment for finance lease		(4,485,369)	(17,805,446)
Borrowing from other banks		40,000,000	1,340,000,000
Repayment to Bangladesh Bank		-	(432,974,167)
<i>Net cash in flow from financing activities</i>		1,308,714,631	1,225,720,387
 <b>D) Net increase in cash and cash equivalents (A+B+C)</b>		1,231,725,061	1,171,545,783
<b>E) Effects of exchange rate changes on cash and cash equivalent</b>		-	-
<b>F) Cash and cash equivalents at beginning of the year</b>		6,279,134,052	5,107,588,269
<b>G) Cash and cash equivalents at end of the year (D+E+F)</b>		7,510,859,113	6,279,134,052
 <b>Cash and cash equivalents at end of the year:</b>			
Cash in hand (including foreign currency)		908,567,282	511,730,011
Balance with Bangladesh Bank and its agent bank(s) (including foreign currency)		3,407,320,718	2,602,841,460
Balance with other banks and financial institutions		3,194,971,113	3,064,562,581
Money at call and on short notice		-	100,000,000
		7,510,859,113	6,279,134,052





# **BRAC Bank Limited**

## **Notes to the Financial Statements as at and for the year ended 31 December 2008**

### **1. The Bank and its activities**

#### **1.1 Corporate information**

BRAC Bank Limited is a scheduled commercial bank established under the Bank 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 3 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 4 June, 2001 and accordingly, the Bank has started its operations from 4 July 2001. At present the Bank has 56 (fifty six) branches, 30 SME service centres, 137 zonal offices and 429 unit offices of SME and employs about 1,855 business loan officers.

The registered address of the Bank is 1 Gulshan Avenue, Gulshan 1, Dhaka 1212, Bangladesh.

BRAC Bank Limited is listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited as a publicly traded company from 28 January 2007 and 24 January 2007 respectively.

A fully operational Commercial Bank, BRAC Bank Limited focuses on pursuing unexplored market niches in the Small and Medium Enterprises Business, which hitherto has remained largely untapped within the country.

#### **1.2 Principal activities**

The principal activities of the Bank are banking and related activities such as accepting deposits, personal banking, trade financing, SME, retail and corporate credit, lease financing, project financing, issuing debit and credit cards, SMS banking, internet banking, phone banking, call center, remittance facilities, dealing in government securities, etc.

### **2. Basis of preparation**

#### **2.1 Statement of compliance**

The financial statements of the Bank have been prepared in accordance with the "First Schedule (sec-38) of the Bank Companies Act 1991 and amendment in 2007, BRPD Circular no 14 dated 25 June, 2003, other Bangladesh Bank Circulars, Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, the Securities and Exchange Ordinance 1969, the Securities and Exchange Rules 1987 and other prevailing laws and rules applicable in Bangladesh.

#### **2.2 Basis of measurement**

The financial statements of the Bank have been prepared on the historical cost basis except for the following:

- Government Treasury Bills and Bonds (HFT) at present value using marking to market concept
- Government Treasury Bills and Bonds (HTM) at present value using amortisation concept
- zero Coupon Bond at present value using amortisation concept
- Quoted ordinary shares at cost or market price whichever is lower at balance sheet date

#### **2.3 Going concern**

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business.

## **2.4 Functional and presentation currency**

These financial statements are presented in Taka, which is the Bank's functional currency. Except as indicated, financial information have been rounded off to the nearest Taka.

## **2.5 Use of estimates and judgements**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The key items which involve these judgments, estimates and assumptions are discussed below:

### **Impairment losses on loans and advances**

In addition to the provision made for loans and advances based on the guideline of Bangladesh Bank, the bank reviews its loans and advances portfolio on monthly basis whether a further allowance for impairment should be provided in the profit and loss account. The judgments made by the management is required in the estimation of these amounts and such estimations are based on assumptions about a number of factors though actual results may differ, resulting in future changes to the provisions.

## **2.6 Cash flow statement**

Cash flow statements have been prepared in accordance with the Bangladesh Accounting Standard 7: "Cash Flow Statement" under direct method as recommended in the BRPD Circular No. 14 dated 25 June 2003 issued by the Banking Regulation and Policy Department of Bangladesh bank (central bank of Bangladesh).

## **2.7 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) Balance with other banks and financial institutions, money at call and on short notice etc. are on the basis of their maturity terms.
- b) Investments are on the basis of their maturity terms.
- c) Loans and advances are on the basis of their repayment schedules.
- d) Fixed assets are on the basis of their useful lives.
- e) Other assets are on the basis of their realisation/amortisation.
- f) Borrowings from other banks, financial institutions and agents as per their maturity/ repayment terms.
- g) Deposits and other accounts are on the basis of their maturity terms and behavioural past trend.
- h) Other liabilities are on the basis of their maturity terms.

## **2.8 Reporting period**

These financial statements cover one calendar year from 1 January to 31 December 2008.

## **3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

### **3.1 Basis of branch consolidation**

The bank uses FINACLE as core banking software for its all branches and service centres. The system produces consolidated and separate balance sheet and profit and loss account of all branches and services centres. These consolidated and separate records are maintained at the Head office of the Bank based on which these financial statements have been prepared.





### 3.2 Basis consolidation

#### Investment in subsidiaries

Subsidiaries are the entities over which the bank has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. A parent of subsidiary should present consolidated financial statements according to BAS 27 "Consolidated financial statements and accounting for investments in subsidiaries". BRAC Bank has no subsidiaries according to the definition of subsidiaries. Hence *consolidated financial statements according to BAS 27 is not required*.

#### Investment in associates

Associates are the entities over which the bank has significant influence but not control, generally accompanying a holding of 20% or more of the voting power (directly or through subsidiaries) will indicate significant influence unless it can be clearly demonstrated otherwise as per BAS 28 "Investment in Associates". **BRAC Bank has no such associates according to the definition of associates.**

### 3.3 Foreign currency

#### Foreign currency transactions

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

#### Foreign currency translations

Monetary assets and liabilities denominated in foreign currencies as at 31 December 2008 have been converted into taka at the average of the prevailing buying and selling rates of the concerned foreign currencies at that date except foreign currency balances held with other banks and financial institutions outside Bangladesh which are converted into Taka at weighted average rate on inter-bank market as determined by Bangladesh Bank on the closing date of every month.

#### Commitments

Contingent liabilities/commitments from letters of credit and letters of guarantee denominated in foreign currencies are expressed in Taka terms at the rates of exchange ruling on the balance sheet date.

#### Translation gains and losses

The resulting exchange translation gains and losses are recognised in the profit and loss account.

### 3.4 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and balances with Bangladesh Bank and its agent bank, and deposit with other banks and money at call and on short notice.

### 3.5 Investments

All investment securities are initially recognised at cost, including acquisition charges associated with the investment. Premiums are amortised and discounts are accredited.

#### Held to Maturity

Investments which have 'fixed or determinable payments' and are intended to be 'Held to Maturity' are classified as held to maturity.

#### Held for Trading

Investment classified in this category are acquired principally for the purpose of selling or repurchasing -in short trading or if designated as such by the management.





### Revaluation

As per the DOS Circular letter no.-05, dated 26 May 2008, HFT securities are revaluated on weekly basis and HTM securities are amortised on yearly basis. The HTM securities are also revaluated if they are reclassified to HFT category with the Board's approval. Any gain or loss on revaluation of HTM securities is recognised in the statement of changes in equity. Gain/(loss) on revaluation of HFT securities is recognised in the profit and loss account on weekly basis and gain on revaluation is transferred to statement of changes in equity on monthly basis.

Value of Investments has been shown as under:

Government Treasury Bills and Bonds (HFT)	At present value (using marking to market concept)
Government Treasury Bills and Bonds (HTM)	At present value (using amortisation concept)
zero Coupon Bond	At present value (using amortisation concept)
Prize Bond & Other Bond	At cost
Debentures	At cost
Un quoted Shares (ordinary)	At cost
Quoted shares (ordinary)	At cost or market price whichever is lower at balance sheet date

Details are shown in Note 7.

### 3.6 Loans and advances

- Loans and advances are stated in the balance sheet on gross basis.
- Interest on loans and advances is calculated on daily product basis, but charged and accounted for monthly on accrual basis. Interest is calculated on classified loans and advances as per BRPD circulars no. 16 of 1998, 9 of 2001 and 10 of 2005 and recognised as income on realisation.
- Provision for loans and advances is made based on the arrear in equivalent month and reviewed by the management following instructions contained in Bangladesh Bank BRPD circulars no. 16 of 6 December 1998, 9 of 14 May 2001, 9 and 10 of 20 August 2005, 5 of 5 June 2006, 8 of 7 August 2007, 10 of 18 September 2007 and 5 of 29 April 2008.

Rates of provision on loans and advances are given below:

<u>Particulars</u>	<u>2008</u>	<u>Rates</u> <u>2007</u>
General provision on:		
Unclassified loans & advances	1%	1%
Small enterprise financing	1%	2%
Consumer finance for house building loan and loan for professional setup	2%	2%
Consumer finance other than house building loan and loan for professional setup including credit cards	5%	5%
Special Mention Account	5%	5%
Off balance sheet exposure	1%	0.50%
Specific provision on:		
Substandard loans and advances	20%	20%
Doubtful loans and advances	50%	50%
Bad/loss loans and advances	100%	100%



### 3.7 Fixed assets and depreciation

Fixed assets including premises, furniture and fixtures are presented at cost less accumulated depreciation.

Subsequent costs of enhancement of an existing assets are recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Land is not depreciated. Depreciation is charged on straight-line method. In case of acquisition of fixed assets, depreciation is charged in the following month of acquisition, whereas depreciation on disposed off fixed assets is charged up to the month prior to the month of disposal. Asset category-wise depreciation rates are as follows:

<u>Category of assets</u>	<u>Rate of depreciation</u>
Furniture and fixture	10%
Office equipments	20%
IT equipments	20%
Motor vehicles	20%

Gain or loss on sale of assets are recognised in profit & loss account as per provision of BAS 16 "Property plant and equipments"

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the assets should be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss is recognised as an expenses in the profit and loss account.

Useful life and method of depreciation of fixed assets are reviewed periodically. If useful lives of assets do not differ significantly as it was previously estimated, Bank Management does not consider to revalue its assets by the meantime.

### 3.8 Other assets

Other assets include all other financial assets and include interest, fees and other unrealised income receivable, Prepaid interest expenses on Interest First Fixed Deposits, advance for operating and capital expenditure, security deposits and stocks of stationery and stamps. Details are shown in Note 10.

### 3.9 Liabilities and provisions

#### 3.9.1 Borrowings from other banks, financial institutions and agents

Borrowings from other banks, financial institutions and agents include interest-bearing borrowings redeemable at call, on-demand and short-term deposits. These items are brought to account at the gross value of the outstanding balance. Details are shown in Note 12.

#### 3.9.2 Deposits and other accounts

Deposits and other accounts include non interest-bearing current deposit redeemable at call, interest bearing on-demand and short-term deposits, savings deposit and term deposit. These items are brought to account at the gross value of the outstanding balance. Details are shown in Note 13.

#### 3.9.3 Other liabilities

As per BAS- 37: "Provisions, Contingent Liabilities and Contingent assets" the Bank recognises provisions only when it has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Other liabilities comprise items such as provision for loans and advances, provision for taxes, interest payable, interest suspense, accrued expenses etc. Other liabilities are recognised in the balance sheet according to the guidelines of Bangladesh bank, Income Tax Ordinance 1984 and internal policy of the Bank. Details are shown in Note 14.





### 3.10 Capital/shareholders' equity

#### Capital management

The Bank has a capital management process in place to measure, deploy and monitor its available capital and assess its adequacy. This capital management process aims to achieve four major objectives: exceed regulatory thresholds and meet longer-term internal capital targets, maintain strong credit ratings, manage capital levels commensurate with the risk profile of the Bank and provide the Bank's shareholders with acceptable returns.

Capital is managed in accordance with the Board-approved Capital Management Planning. Senior management develops the capital strategy and oversee the capital management planning of the Bank. The Bank's Finance, Treasury and Risk Management department are key in implementing the Bank's capital strategy and managing capital. Capital is managed using both regulatory capital measures and internal matrix.

#### Authorised capital

Authorised capital is the maximum amount of share capital that the bank is authorised by its Memorandum and Articles of Association to issue to shareholders.

#### Paid up capital

Paid up capital represents total amount of shareholder capital that has been paid in full by the ordinary shareholders. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at shareholders' meetings. In the event of a winding-up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any residual proceeds of liquidation. Details are shown in Note 15.

#### Preference share capital

Preference Shares are those share which give their holders an entitlement to a fixed dividend but do not carry voting rights.

#### Share premium

Share premium is the capital that the Bank raises upon issuing shares that is in excess of the nominal value of the shares. The Share Premium shall be utilised in accordance with provisions of section 57 of the Companies Act, 1994.

#### Statutory reserve

Statutory reserve has been maintained @ 20% of profit before tax in accordance with provisions of section 24 of the Bank Companies Act, 1991 until such reserve equal to its paid up capital together with amount in the share premium account.

#### Revaluation reserve

Revaluation reserve arises from the revaluation of Treasury bills and bonds (HFT & HTM) in accordance with the DOS circular no. 5 dated 26 May 2008.

### 3.11 Contingent liability

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 but is not recognised because:

- \* it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- \* the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised but disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is reliably estimated.

Contingent assets are not recognised in the financial statements as this may results in the recognition of income which may never be realised.





### 3.12 Revenue recognition

#### Interest income

Interest on loans and advances is calculated on daily product basis, but charged and accounted for on monthly/quarterly basis. As per Bangladesh Accounting Standard (BAS -18), *Revenue*, interest income is recognised on accrual basis. Interest on loans and advances ceases to be taken into income when such advances fall into SMA and under classification. When such advances fall under SMA and under classification, interest is kept in interest suspense account. Interest on SMA and classified advances is accounted for on a cash receipt basis.

#### Investment income

Income on investments is recognised on accrual basis. Investment income includes discount on Treasury bills and zero coupon bonds, interest on treasury bonds, zero coupon, debentures and fixed deposit with other banks. Dividend income from shares is recognised when Bank's right to receive the payment is established.

#### Interest and fees receivable on credit cards

Interest and fees receivable on credit cards are recognised on accrual basis. Interest and fees are ceases to be taken into income when the recovery of interest and fees is in arrear for over three months. Thereafter, interest and fees are accounted for on cash basis.

#### Fees and commission income

The Bank earns fees and commissions from diverse range of services provided to its customers. This include fees and commission income arising on financial and other services provided by the bank including trade finance, credit cards, debit cards, passport endorsement, visa processing, student service, loan processing, loan syndication, locker facilities and SMS banking etc. Fees and commission income arises on services rendered by the Bank recognised on a realisation basis. Commission charged to customers on letters of credit and letters of guarantee is recognised as revenue on realisation basis.

#### Interest paid on borrowing and other deposits

Interest paid and other expenses are recognised on accrual basis.

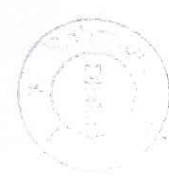
### 3.13 Employee benefits

#### 3.13.1 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 recognised fund within the meaning of section 2(52) read with the provisions of part - B of the First Schedule of the Income Tax Ordinance 1984. The recognition took effect from 1 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 of 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 contributions after 3 (three) years of continuous service from the date of their membership.

#### 3.13.2 Gratuity Fund

Gratuity fund benefits are given to the staff of the Bank in accordance with the approved Gratuity fund rules. National Board of Revenue has approved the gratuity fund as a recognised gratuity fund on 6 March 2006. The fund is operated by a Board of Trustees consisting of 7 (seven) members of the Bank. Employees are entitled to gratuity benefit after completion of minimum 5 (five) years of service in the Bank. Gratuity is calculated on the basis of last basic salary and is payable at the rate of one month's basic pay for every completed year of service.



### 3.13.3 Other employee benefits

#### **Staff Security Fund**

The objective of the fund is to provide death or permanent disability benefits to its confirmed employees/their families with a sum equal to 36 times of the last drawn basic salary to the nominee. The Bank contributes to this fund at a predetermined rate which equals to Taka 5 (five) for each Taka 1, 000 (one thousand) of last basic salary per staff per year. There shall be at least 7 (seven) members Management Committee to manage the fund. The Managing Director & CEO of the Bank will be the chairperson of this committee and other 6 members are nominated from the regular staff.

#### **Staff Welfare Fund**

The objective of the fund is to provide benefits to its regular employees from junior officer (JO) to senior principal officer (SPO) of the Bank incurring severe accidents during official job, extended illness (not less than 3 months), education for children; marriage of children which costs would not be affordable by the employee and which are not covered by any other means. All regular confirmed employees of the Bank shall contribute monthly to the Fund according to their designation. The sum subscribed monthly from salaries of employees shall be credited separately in an "Staff Welfare Fund" as a liability of the Bank. There shall be at least 7 (seven) members management committee to manage the fund. The Managing Director & CEO of the Bank will be the chairperson of this committee and other 6 members are nominated from the regular staff.

#### **Hospitalisation insurance**

The Bank has introduced a health insurance scheme to its confirmed employees and their respective dependants at rates provided in health insurance coverage policy.

#### **Incentive bonus**

The Bank started an incentive bonus scheme for its employees @ 3% of net profit before tax in every year as incentive bonus. This bonus amount is being distributed among the employees based on their performance. The bonus amount is paid annually, normally 1st quarter of the every following year and the cost are accounted for the period to which it relates.

#### **Leave fare assistance**

The provision for leave fare represents the current outstanding liability to employees at Balance Sheet date. Leave Fare Assistance is a non-recurring benefit for all permanent employees of the Bank who is entitled to annual leave. According to Bangladesh Bank policy all permanent employees have to avail 15 consecutive days of mandatory leave and LFA will be given in this leave period.

#### **Subsidised scheme - Staff loan**

Personal, house building and car loan is provided to the permanent staff at a subsidised rate. Criteria and details of types wise staff loan is given below:

**Personal Loan:** A permanent staff completing 1 year of service can avail personal loan taking recommendation from departmental head and head of HR and approval from the Chief Credit Officer.

**House building Loan:** A permanent staff completing 5 years of service can avail house building loan taking approval from Managing Director and CEO and recommended by House Building Loan Committee.

**Car Loan:** All staff at job grade from PO can avail staff car loan taking approval from Chief Credit Officer and recommended by Head of HR and Departmental Head.

### 3.14 Taxation

The Bank accounted for deferred tax as per Bangladesh Accounting Standard (BAS) - 12. Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss account except to the extent that it relates to items recognised directly in shareholders' equity, in which case it is recognised in shareholders' equity.

#### **Current tax**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Provision for current income tax has been made as per the provision of Income Tax Ordinance 1984 on total income from Banking business, interest on securities actually received and dividend actually received. Details are shown in note 14.6.1.



#### **Deferred tax**

Deferred tax is recognised using balance sheet method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted by the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences. They are also recognised for taxable temporary differences arising on investments and it is probable that temporary differences will not reverse in the foreseeable future. Deferred tax assets associated with these interests are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and there will be sufficient taxable profits against which to utilise the benefits of the temporary difference.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax relating to unrealised surplus on revaluation of held to maturity (HTM) and held for trading (HFT) securities are recognised directly in revaluation reserve as a part of equity and is subsequently recognised in profit and loss account on maturity of the security.

Details are shown in Note 14.6.2.

### **3.15 Leases**

#### **The Bank as lessor**

Amount due from lessees under finance lease are recorded as receivables at the amount of the Bank's net investment in the leases (Note 8.3). Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

#### **The Bank as lessee**

In compliance with the Bangladesh Accounting Standard (BAS) - 17 "Lease", cost of assets acquired under finance lease along with obligation there against are accounted for as assets & liabilities respectively of the company, and the interest elements are charged as expenses. Details of leased assets have been shown in Annexure - F to the financial statements. Assets held under finance leases are depreciated on the basis of lease term.

### **3.16 Earnings Per Share**

Earnings per Share (EPS) has been computed by dividing the basic earning by the weighted average number of ordinary shares outstanding as at 31st December, 2008 as per Bangladesh Accounting Standard (BAS) - 33 "Earnings Per Share". Details are shown in Note 34.

#### **Basic earnings**

This represents earnings for the year attributable to ordinary shareholders. Net profit after tax less preference dividend 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 plus the number of ordinary shares issued during the year multiplied by a time weighted factor. The time weighting factor is the number of days the specific shares are outstanding as a proportion of the total number of days in the year. (Note 34)

The basis of computation of number of shares is in line with the provisions of BAS 33 "Earnings per share". The logic behind this basis is, that the bonus shares are issued to the existing shareholders without any consideration, and therefore, the number of shares outstanding is increased without an increase in resources generating new earnings. In contrast, other shares were issued against consideration in cash or in kind, and accordingly there is an increase in resources generating new earnings. Therefore, the total number of shares issued in 2008 has been multiplied by a time weighting factor which is the number of days the specific shares were outstanding as a proportion of total number of days in the period.





#### **Diluted earnings per share**

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

### **3.17 Reconciliation of inter-bank/inter-branch account**

Books of accounts with regard to inter-bank (in Bangladesh and outside Bangladesh) are reconciled on monthly basis and there are no material differences which may affect the financial statements significantly. Details of provision on Nostro accounts are shown in Note 14.2.

Un-reconciled entries in case of inter-branch transactions as on the reporting date are not material.  
(Details are shown in Note 10.3.1)

### **3.18 Segment reporting**

The bank has only one reportable business segment and the bank is operating in the geographical territory of Bangladesh. Hence segment reporting in accordance with BAS 14 "Segment Reporting" is not applicable.

### **3.19 Dividend**

Dividend on ordinary shares are recognised as a liability and deducted from retained earnings when they are approved by the shareholders in the annual general meeting.

Dividend on ordinary shares for the year that are recommended by the directors after the balance sheet date for approval of the shareholders at the annual general meeting are disclosed in note 37.6 to the financial statements.

### **3.20 Risk Management**

The possibility of losses, financial or otherwise is defined as risk. The assets and liabilities of BRAC Bank Ltd. is managed so as to minimise, 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 coordinated 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 as per BRPD circular no. 17 of 7 October 2003.

#### **3.20.1 Credit Risk Management**

Credit risk is most simply defined as the potential that a Bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions. The goal of credit risk management is to maximise a Bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters.

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, Retail and Credit Cards has been formed which are entrusted with the duties of maintaining effective relationship with the customers, marketing of credit products, exploring new business opportunities etc. For transparency in the operations i. Credit Approval Team, ii. Asset Operations Department, iii. Recovery Unit, and iv. Impaired Asset Management have been set up.



In credit management process, Sales Teams of the above-mentioned business units inputs the details of customer into the system; the Credit Division does thorough assessment before approving the credit facility. The risk assessment included borrower risk analysis, financial analysis, industry analysis, and historical performance of the customer. Asset Operations Department ensures compliance of all legal formalities, completion of all documentation security of the proposed credit facility and finally disburses the amount. The Sales Team reports to the Managing Director & CEO through their line reporting; the Credit Division reports to the Managing Director & CEO, while the Operations Department reports to the Chief Information Officer. The above arrangement has not only ensured segregation of duties and accountability but also helps in minimising the risk of compromise with quality of the credit portfolio.

### **3.20.2 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 minimise 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 BB 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' has separate and independent reporting lines not only to ensure segregation of duties and accountability but also to minimise the risk of the deal.

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 MANCOM.

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.

### **3.20.3 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 Bank. As such emphasise 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 and yield on advance, Foreign exchange gap, Market interest rate, Loan loss provision adequacy and deposit and lending pricing strategy.

### **3.20.4 Prevention of Money Laundering**

In recognition of the fact that financial institutions are particularly vulnerable to be used by money launderers. The bank has established Anti Money Laundering Policy. The purpose of the Anti Money Laundering Policy is to provide a guideline 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.





### 3.20.5 Internal control and compliance

Internal Control is the mechanism in place on a permanent basis to control the activities in an organisation, 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 Branches, SME Units and the Departments at Head Office as well. The Board Audit Committee reviews the reports of the Risk Management Department periodically.

### 3.20.6 Information and communication technology

BRAC Bank follows the guideline stated in BRPD circular no. 14 dated 23 October 2005 regarding "Guideline on Information and Communication Technology for Scheduled Banks".

IT management deals with IT policy documentation, internal IT audit, training and insurance.

IT operation management covers the dynamics of technology operation management including change management, asset management and operating environment procedures management. The objective is to achieve the highest levels of technology service quality by minimum operational risk.

Physical security involves providing environmental safeguards as well as controlling physical access to equipment and data. In order to ensure that information assets are protected against risk, there are controls over:

- a) Password
- b) User ID maintenance
- c) Input control
- d) Network security
- e) Data encryption
- f) Virus protection
- g) Internet and e-mail

The Business Continuity Plan (BCP) is formulated to cover operational risks and taking into account the potential for wide area disasters, data centre disasters and the recovery plan. The BCP takes into account the backup and recovery process. Keeping this into consideration this covers BCP, Disaster Recovery Plan and Backup/Restore Plan.

### 3.20.7 Enterprise Risk Management

BRAC Bank Limited, one of the fastest growing bank in Bangladesh, is concerned regarding risky areas, which are being identified by the Risk Management department through enterprise risk management committee (ERMC)

The Management under the guidance of the Board of Directors has developed an Enterprise Risk Management Policy for submission of a formal report to the Board Audit Committee on quarterly basis.

#### Primary Objectives:

- \* Maximise earnings and return on capital within acceptable and controllable levels of the key risk areas.
- \* Provide for growth that is sound, profitable and balanced without sacrificing the quality of service.
- \* Manage and maintain a policy and procedures that are consistent with the short and long term strategic goals of the Board of Directors.





#### **Development of ERM policy**

The MANCOM approved the ERM policy, which contains the guidelines for reporting to Risk Management Committee. The ERM has twelve members. Head of Risk Management, the Managing Director, COO, Head of Retail, Head of SME, Head of Credit, Head of Treasury, Head of Financial Administration, Head of HR, Head of Corporate Banking, Head of SRS, Head of External Affairs and Head of Impaired Assets Management. Head of Risk Management chairs the committee.

The policy provides guideline & templates to the respective departments and units for providing the information, which are considered as risky and vulnerable areas for the organisation. ERM scrutinise and analyse the provided information and parameterise it according to the sensitivity and vulnerability.

The ERM meet on 15th of every month. The committee discuss about the various issues raised relating to previous month and updates the same provided by units reported to Risk Management department in the prescribed formats by 7th of the current month. The units qualify the specific risk according to the matrix provided by Bangladesh Bank. The meeting is minuted, which is reviewed by the Board Audit Committee on quarterly basis.

#### **Outcome of ERM:**

- \* Vulnerable areas of the Bank are being identified
- \* Appropriate plan and initiatives are taken to mitigate and minimise the risk.
- \* Follow up and monitoring are being done on the overall position of the bank regarding mitigation and minimisation of risky areas.
- \* Upgrading the "Leading Key Risk Indicator" and DCFCLs are developing gradually through inclusion and exclusion item.

#### **3.20.8 Implementation of BASEL-II**

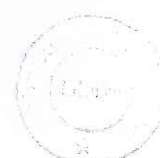
To comply with international best practices and to make the bank's capital more risk-sensitive as well as to build the banking industry more shock absorbent and stable, Bangladesh Bank provides revised regulatory capital framework "Risk Based Capital Adequacy for Banks" which is effective from January 2009. According to the BRPD circular no. 09 dated 31 December 2008, following specific approaches are suggested for implementing BASEL-II:

- a) Standardised Approach for calculating Risk Weighted Assets (RWA) against Credit Risk;
- b) Standardised (Rule Based) Approach for calculating RWA against Market Risk; and
- c) Basic Indicator Approach for calculating RWA against Operational Risk.

Under the Standardised Approach of the Risk Based Capital Adequacy Framework (Basel II), credit rating is to be determined on the basis of risk profile assessed by the External Credit Assessment Institutions (ECAIs) duly recognised by BB.

Along with the existing capital adequacy rules & reporting to BB (Ref. BRPD Circular no. 10, dated 25-11-2002) banks will start quarterly reporting as per the set of reporting formats provided by Bangladesh bank. For the purpose of statutory compliance during the period of parallel run i.e. 2009, the computation of capital adequacy requirement under existing rules will prevail.

BRAC Bank management is aware about guideline of Bangladesh Bank and prepared for implementing new capital Accord-BASEL-II. BASEL-II implementation committee is formed headed by Head of Operations. Adequate training from home & abroad to the concerned staff on BASEL-II is given for better understanding and smooth implementation of the BASEL-II.



### 3.21 Compliance of Bangladesh Accounting standard (BAS) and Bangladesh Financial Reporting Standard (BFRS)

Bangladesh Accounting Standard (BAS) and Bangladesh Financial Reporting	Ref.	Status
Presentation of Financial Statements	BAS-1	Applied
Inventories	BAS-2	Not Applicable
Cash Flow Statements	BAS-7	Applied
Net profit or loss for the period, Errors and Changes in Accounting Policies	BAS-8	Applied
Events after Balance Sheet date.	BAS-10	Applied
Construction Contracts	BAS-11	Not Applicable
Income taxes	BAS-12	Applied
Property Plant & Equipments	BAS-16	Applied
Leases	BAS-17	Applied
Revenue	BAS-18	Applied
Employee Benefits	BAS-19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	BAS-20	Not Applicable
The Effect of Changes in Foreign Exchanges Rate.	BAS-21	Applied
Business combination	BAS-22	Not Applicable
Borrowing Cost	BAS-23	Not Applicable
Related party Disclosures	BAS-24	Applied
Consolidated Financial Statements and Accounting for Investments in subsidiaries	BAS-27	Not Applicable
Accounting for Investment in Associates	BAS-28	Not Applicable
Financial Reporting of Interest in Joint Ventures	BAS-31	Not Applicable
Earning Per Share	BAS-33	Applied
Interim Financial Reporting	BAS-34	Not Applicable
Impairments of Assets	BAS-36	Applied
Provision, Contingent Liabilities and Contingent Assets	BAS-37	Applied
Intangible Assets	BAS-38	Applied
Investment property	BAS-40	Not Applicable
Agriculture	BAS-41	Not Applicable
First-time adoption of International financial Reporting Standards	BFRS-1	Not Applicable
Shares Based Payment	BFRS-2	Not applicable
Business combination	BFRS-3	Not applicable
Non-current assets Held for Sale and Discounted operations	BFRS-5	Not applicable
Exploration for and Evaluation of Mineral Resources	BFRS-6	Not applicable
Financial Instruments: Disclosures	BFRS-7	Applied
Operating Segments	BFRS-8	Not applicable

### 3.22 Regulatory and legal compliance

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

- The Bank Companies Act, 1991.
- The Companies Act, 1994.
- Rules and Regulations issued by Bangladesh Bank.
- The Securities and Exchange Rules 1987, The Securities and Exchange Ordinance 1969, The Securities and Exchange Commission Act 1993, The Securities and Exchange Commission (Public Issue) Rules 2006.
- The Income Tax Ordinance, 1984.
- The VAT Act, 1991.





#### 4. Cash

	2008 Taka	2007 Taka
In hand:		
Local currency	881,268,730	488,755,091
Foreign currencies	27,298,552	22,974,920
	908,567,282	511,730,011
Balance with Bangladesh Bank		
Local currency (statutory deposit)	2,952,870,014	2,228,345,721
Foreign currencies	352,478,757	333,654,194
	3,305,348,771	2,561,999,915
Balance with agent bank (Sonali Bank Ltd)		
Local currency (statutory deposit)	101,971,947	40,841,545
Foreign currencies	-	-
	101,971,947	40,841,545
	4,315,888,000	3,114,571,471

Figures of previous year have been rearranged, wherever considered necessary, to conform the current year's presentation.

- 4.1 Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR) have been calculated and maintained in accordance with section 33 of Bank Companies Act, 1991 and BRPD circular nos. 11 and 12 dated 25 August 2005.

Cash Reserve Requirement on the Bank's time and demand liabilities at the rate 5% has been calculated and maintained with Bangladesh Bank and its agent bank in local currency and 18% Statutory Liquidity Requirement, including CRR, on the same liabilities has also been maintained in the form of cash in hand, treasury bills, bonds and debentures. CRR and SLR reserves maintained by the Bank are shown below:

##### 4.1.1 Cash Reserve Requirement (CRR):

5% of Average Demand and Time Liabilities:

Required reserve	2,878,435,000	1,593,369,150
Actual reserve held	3,042,583,344	2,093,533,814
Surplus/(deficit)	164,148,344	500,164,664

Figures of previous year have been rearranged, wherever considered necessary, to conform the current year's presentation.

##### 4.1.2 Statutory Liquidity Requirement (SLR):

18% of Average Demand and Time Liabilities including 5% CRR:

Required reserve	10,362,366,000	5,736,128,940
Actual reserve held	11,831,345,869	5,736,128,940
Surplus/(deficit)	1,468,979,869	-

##### 4.1.3 Held for Statutory Liquidity Ratio

Cash in hand	908,567,282	511,730,011
Balance with Bangladesh Bank and its agent bank(s) as per statement	3,042,583,344	2,093,533,814
Government securities	7,880,195,243	3,130,810,915
FC used in BDT	-	54,200
	11,831,345,869	5,736,128,940





## 5. Balance with other banks and financial institutions

	2008 Taka	2007 Taka
In Bangladesh (Note 5.1)	2,925,484,028	2,894,113,161
Outside Bangladesh (Note 5.2)	269,487,085	170,449,420
	<u>3,194,971,113</u>	<u>3,064,562,581</u>

### 5.1 In Bangladesh

#### On Demand Deposit accounts

Standard Chartered Bank - Current account	3,094,209	25,000,172
Southeast Bank Ltd - Current account	200	3,052
	<u>3,094,409</u>	<u>25,003,224</u>

#### On Short Term Deposit (STD) accounts

Southeast Bank Ltd.	173,917	196,068
One Bank Ltd.	982,056	906,749
Prime Bank Ltd.	1,000	1,000
Puðali Bank Ltd.	528,779,578	51,890,544
Janata Bank Ltd.	411,275,669	197,364,141
Bangladesh Krishi Bank	230,877,870	102,018,023
The City Bank Ltd.	22,824,468	16,925,637
Agrani Bank Ltd.	280,361,163	111,364,033
Islami Bank (BD) Ltd.	25,336,746	75,439,860
United Commercial Bank Ltd.	2,164,172	5,451,313
National Bank Ltd.	5,433,166	3,138,860
Sonali Bank Ltd.	22,062,465	33,226,572
ICB Islamic Bank Ltd.	89	89
AB Bank Ltd.	1,000	1,358
Rupali Bank Ltd.	102,411,770	34,613,720
Dhaka Bank Ltd.	5,677,432	5,571,970
First Security Bank Ltd.	1,027,058	1,000,000
Uttara Bank Ltd	3,000,000	-
	<u>1,642,389,619</u>	<u>639,109,937</u>

#### On Fixed Deposit accounts

##### With banks:

Habib Bank Ltd.	-	100,000,000
Dhaka Bank Ltd.	-	200,000,000
First Security Bank Ltd.	-	70,000,000
Trust Bank Ltd.	-	100,000,000
Southeast Bank Ltd.	-	100,000,000

##### With financial institutions:

Industrial & Infrastructure Development Finance Co. Ltd.	140,000,000	190,000,000
International Leasing & Financial Services Ltd.	100,000,000	100,000,000
Uttara Finance & Investment Ltd.	-	50,000,000
Fareast Finance & Investment Ltd.	110,000,000	110,000,000
Union Capital Ltd.	60,000,000	80,000,000
National Housing Finance Company Ltd.	-	50,000,000
Prime Finance & Investment Co. Ltd.	50,000,000	100,000,000
Premier Leasing & Financial Services Ltd.	190,000,000	100,000,000
Phoenix Leasing Company Ltd.	100,000,000	250,000,000
Bangladesh Industrial Finance Company Ltd.	80,000,000	80,000,000
United Leasing Co. Ltd.	300,000,000	400,000,000
Lanka Bangla Finance Co. Ltd.	150,000,000	150,000,000
	<u>1,280,000,000</u>	<u>2,230,000,000</u>
	<u>2,925,484,028</u>	<u>2,894,113,161</u>

## 5.2 Outside Bangladesh

### On Demand Deposit accounts (Non-interest bearing):

	2008 Taka	2007 Taka
Standard Chartered Bank-USA(USD)	14,293,552	10,230,935
Mashreq Bank -USA(USD)	7,028,715	45,809
The Bank of Nova Scotia- Canada (CAD)	5,129,726	1,143,431
Citibank, NA-USA (USD)	6,344,342	1,640,928
AB Bank- India (ACU Dollar)	19,515,399	116,892
ICICI- India (ACU Dollar)	177,470	736,873
Standard Chartered Bank-UK (GBP)	139,102	727,747
Hypo Vereins Bank Germany (EURO)	26,181,105	8,010,179
HSBC - USA(USD)	175,344,010	132,545,922
HSBC - UK (GBP)	8,655,749	10,792,494
HSBC - AUS (AUD)	258,862	439,850
HSBC - Pakistan (ACU Dollar)	15,687	44,957
HSBC - India (ACU Dollar)	10,688	107,249
Zuercher Kantonal Bank- Switzerland (CHF)	656,904	473,980
ING NV/SA- - Belgium (EURO)	835,308	397,701
Unicredito Italiano SPA- Italy (EURO)	1,612,297	700,832
Commerz Bank AG- Germany (EURO)	156,795	-
Standard Chartered Bank -UK (EURO)	-	208,761
Union DE Banques Arabes ET Francaises- Japan (JPY)	779,703	57,398
Westpack Banking Corporation- Australia (AUD)	2,351,671	2,027,482
	<u>269,487,085</u>	<u>170,449,420</u>

Details are shown in Annexure - C.

## 5.3 Maturity grouping of balance with other banks and financial institutions

Up to one month	1,944,971,113	1,034,562,581
More than one month but not more than three months	50,000,000	550,000,000
More than three months but not more than one year	1,200,000,000	1,380,000,000
More than one year but not more than five years	-	100,000,000
More than five years	-	-
	<u>3,194,971,113</u>	<u>3,064,562,581</u>

## 6. Money at call and on short notice

### Banking company

### Non-banking financial institutions:

Bangladesh Finance & Investment Co. Ltd.

Industrial & Infrastructure Development Finance Co. Ltd.

	-	-
	-	50,000,000
	-	50,000,000
	-	<u>100,000,000</u>

## 7. Investments

Government securities (Note 7.1)

Others (Note 7.2)

	7,880,195,243	4,893,785,452
	365,178,030	103,071,265
	<u>8,245,373,273</u>	<u>4,996,856,717</u>

Investments in securities are classified as follows:

Held for trading (HFT)

Held to maturity (HTM)

Other securities

	5,579,080,748	1,762,974,962
	2,300,062,195	3,130,582,190
	366,230,330	103,299,565
	<u>8,245,373,273</u>	<u>4,996,856,717</u>

## 7.1 Government securities

	2008 Taka	2007 Taka
Treasury Bills (Note 7.1.1)		848,242,240
Treasury Bonds (Note 7.1.2)	7,879,142,943	4,045,314,912
Prise Bonds	1,052,300	228,300
	<u>7,880,195,243</u>	<u>4,893,785,452</u>

### 7.1.1 Treasury Bills

30 days Bangladesh Bank Bills	-	749,698,550
5 years Treasury Bills	-	98,543,690
	<u>-</u>	<u>848,242,240</u>

### 7.1.2 Treasury Bonds

Treasury Bonds (3 years TNT)	19,751,262	19,136,142
Treasury Bonds (5 years BGTB)	93,380,521	90,325,296
Treasury Bonds (10 years BGTB)	3,785,918,309	3,238,953,474
Treasury Bonds (15 years BGTB)	1,439,437,803	490,000,000
Treasury Bonds (20 years BGTB)	2,540,655,048	206,900,000
	<u>7,879,142,943</u>	<u>4,045,314,912</u>

## 7.2 Other investments

### Ordinary shares (Details are shown in Annexure - D)

Industrial and Infrastructure Development Finance Co. Ltd.	10,000,000	10,000,000
Bank Asia Ltd.	230,000	230,000
Mercantile Bank Ltd.	270,000	270,000
Central Depository Bangladesh Ltd.	4,000,000	4,000,000
	<u>14,500,000</u>	<u>14,500,000</u>

### Preference shares (Details are shown in Annexure - D)

STS Holdings Ltd. (5,000,000 preference shares of Tk 10 each redeemable after 5 years)	50,000,000	50,000,000
--	------------	------------

### Debentures

#### Bonds

Dutch Bangla Bank Ltd.	-	30,000,000
Grameenphone Ltd.	300,000,000	-
	<u>300,000,000</u>	<u>30,000,000</u>

### Zero Coupon Bonds

IDLC Finance Limited	536,975	6,273,895
United Leasing Company Ltd.	141,055	2,297,370
	<u>678,030</u>	<u>8,571,265</u>
	<u>365,178,030</u>	<u>103,071,265</u>





### 7.3 Maturity-wise grouping

	<u>2008</u> <u>Taka</u>	<u>2007</u> <u>Taka</u>
Up to one month	1,730,330	769,893,296
More than one month but not more than three months	14,500,000	49,444,488
More than three months but not more than one year	19,751,262	62,302,298
More than one year but not more than five years	443,380,521	175,382,818
More than five years	7,766,011,160	3,939,833,817
	<u>8,245,373,273</u>	<u>4,996,856,717</u>

## 8. Loans and advances

### Loans, cash credits, overdrafts, etc.:

Overdrafts	2,187,399,583	1,893,173,564
Demand loans	3,721,756,147	2,421,193,520
Term loans	11,441,179,801	7,231,601,248
Lease finance (Note 8.3)	490,368,566	442,641,544
Small and medium enterprises	33,019,122,381	19,718,168,870
Credit cards	1,519,531,846	590,336,603
Staff loan (Note 8.7)	285,878,234	149,008,029
	<u>52,665,236,558</u>	<u>32,446,123,378</u>

### Bills purchased and discounted (Note 8.16)

	<u>11,480,182</u>	<u>14,978,802</u>
	<u>52,676,716,740</u>	<u>32,461,102,180</u>

### 8.1 Net loans and advances

#### Gross loans and advances

	52,676,716,740	32,461,102,180
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#### Less: Interest suspense (Note 14.3)

#### Provision for loans and advances (Note 14.1)

	<u>453,484,281</u>	<u>236,131,399</u>
	<u>2,407,379,898</u>	<u>1,315,076,042</u>
	<u>2,860,864,179</u>	<u>1,551,207,441</u>
	<u>49,815,852,561</u>	<u>30,909,894,739</u>

### 8.2 Maturity-wise grouping

Repayable on demand	4,214,137,339	3,239,223,130
Not more than three months	10,535,343,348	4,918,858,256
More than three months but not more than one year	21,929,042,690	13,901,552,281
More than one year but not more than five years	14,694,170,135	10,314,818,765
More than five years	1,304,023,228	86,649,748
	<u>52,676,716,740</u>	<u>32,461,102,180</u>

### 8.3 Lease finance

Lease finance receivables within 3 months	1,583,757	-
Lease finance receivables within 3 to 12 months	46,438,614	232,032,407
Lease finance receivables within 1 to 5 years	442,346,195	210,609,137
	<u>490,368,566</u>	<u>442,641,544</u>



8.4 Loans and advances under the following broad categories

	2008 Taka	2007 Taka
<b>In Bangladesh:</b>		
Loans	50,489,317,157	30,567,928,616
Cash credit		
Overdrafts	2,187,399,583	1,893,173,564
	52,676,716,740	32,461,102,180
<b>Outside Bangladesh</b>		
	-	-
	52,676,716,740	32,461,102,180

8.5 Geographical location-wise grouping

<b>In Bangladesh:</b>		
Dhaka Division	32,264,176,566	20,396,894,258
Chittagong Division	9,649,861,805	5,745,692,989
Khulna Division	3,494,369,831	2,446,338,417
Sylhet Division	1,519,919,453	738,307,946
Barisal Division	1,534,227,358	718,926,857
Rajshahi Division	4,214,161,727	2,414,941,713
	52,676,716,740	32,461,102,180
<b>Outside Bangladesh</b>		
	-	-
	52,676,716,740	32,461,102,180

8.6 Significant concentration-wise grouping

Directors and others		
Staff:		
Managing Director and CEO	-	5,500,929
Senior executives	46,461,636	39,813,743
Others	239,416,598	103,693,357
	285,878,234	149,008,029
<b>Industries:</b>		
Agricultural loan	1,337,548,758	1,185,292,004
Large and medium enterprises	3,256,045,721	1,175,076,093
Small and cottage	1,288,845,454	241,900,067
	5,882,439,933	2,602,268,164
<b>Consumers</b>		
Trade and commercial	9,661,482,413	8,971,085,980
	36,846,916,160	20,738,740,007
	52,676,716,740	32,461,102,180

8.7 Staff loan

Personal loan	71,263,331	47,500,315
Car loan	72,521,784	24,549,651
House building loan	142,093,119	76,958,063
	285,878,234	149,008,029

8.8 Details of large loan

As at 31 December 2008 there were three (2007: two) clients with whom amount of outstanding and classified loans and advances exceeded 10% of the total capital of the Bank. Total capital of the Bank was Tk 6,117 million as at 31 December 2008 (Tk 3,792.47 million in 2007).

Details are shown in Annexure - E.





## 8.9 Grouping as per classification rules

	<u>2008</u> <u>Taka</u>	<u>2007</u> <u>Taka</u>
Unclassified :		
Standard including staff loan	49,102,865,704	30,001,002,686
Special Mention Account	1,100,839,246	1,015,321,964
	<u>50,203,704,950</u>	<u>31,016,324,650</u>
Classified :		
Sub-standard	1,004,430,866	646,601,996
Doubtful	684,605,428	317,048,692
Bad/loss	783,975,496	481,126,842
	<u>2,473,011,790</u>	<u>1,444,777,530</u>
	<u>52,676,716,740</u>	<u>32,461,102,180</u>

## 8.10 Loan type wise classified loan

Overdraft	53,046,328	41,203,990
Demand loan	163,249,733	166,197,766
Term loan including SME	2,123,098,856	1,228,159,396
Lease finance	18,272,997	9,216,378
Credit cards	89,561,285	-
	<u>2,447,229,199</u>	<u>1,444,777,530</u>

## 8.11 Sector-wise allocation of loans and advances

### Government

### Private:

Agriculture, fishing, forestry and dairy firm	1,337,548,758	1,185,292,004
Industry (jute, textiles, garments, chemicals, cements, etc.)	3,256,045,721	1,175,076,093
Working capital financing	2,489,438,711	5,324,841,258
Export credit	112,631,994	1,691,032
Commercial credit	33,683,845,454	15,412,207,717
Small and cottage industries	1,288,845,454	241,900,066
Miscellaneous	10,508,360,648	9,120,094,010
	<u>52,676,716,740</u>	<u>32,461,102,180</u>

## 8.12 Securities against loans /advances including bills discounted and purchased

Collateral of moveable/immoveable assets	10,070,158,193	7,381,442,866
Local banks' and financial institutions' guarantee	-	-
Government guarantee	-	-
Foreign banks' guarantee	-	-
Export documents	-	-
Fixed deposit receipts (FDR)	4,339,123,433	2,939,385,923
FDR of other banks	-	-
Government bonds	38,225,441,472	22,120,409,749
Personal guarantee	41,993,642	19,863,642
Other securities	<u>52,676,716,740</u>	<u>32,461,102,180</u>



### 8.13 Particulars of required provision for loans and advances

Status	2008			2007	
	Outstanding loans and advances as at 31 Dec 2008	Base for provision	% of required provision	Required provision	Required provision
	Taka	Taka		Taka	Taka
<b>For loans and advances:</b>					
<b>Unclassified - General provision</b>					
All unclassified loans (other than small enterprises, housing finance, and loans for professionals, consumer financing and special mention account)					
	13,051,789,400	13,051,789,400	1%	130,517,894	188,118,617
Small enterprise financing	30,736,581,450	30,736,581,450	1%	307,365,815	358,825,742
Consumer finance for housing and loan for professionals	2,031,584,993	2,031,584,993	2%	40,631,700	34,512,990
Consumer finance- others	3,352,675,337	3,352,675,337	5%	167,633,767	23,016,453
Special Mention Account (SMA)	1,100,839,246	1,056,797,159	5%	52,839,858	49,866,954
				698,989,033	654,340,756
<b>Classified - Specific provision:</b>					
Sub-standard	1,004,430,866	885,881,606	20%	177,176,321	117,652,770
Doubtful	684,605,428	573,370,034	50%	286,685,017	128,094,446
Bad/loss	783,975,496	565,159,938	100%	565,159,938	372,416,575
				1,029,021,276	618,163,791
<b>For off balance sheet items - General provision</b>					
Acceptances and endorsements	136,773,626		1%	1,367,736	1,114,414
Letters of guarantee	425,080,706		1%	4,250,807	1,349,845
Irrevocable letters of credit	1,570,706,657		1%	15,707,067	7,186,572
Bills for collection	8,570,591		1%	85,706	346,138
				21,411,316	9,996,969
Required provision for loans and advances and off balance sheet items				1,749,421,625	1,282,501,516
Total provision maintained (Note 14.1):					
For loans and advances				2,407,379,898	1,315,076,042
For off balance sheet items				24,407,000	12,500,000
				2,431,786,898	1,327,576,042
Excess provision				682,365,273	45,074,526



#### 8.14 Particulars of loans and advances

	<u>2008</u> <u>Taka</u>	<u>2007</u> <u>Taka</u>
i) Loans considered good in respect of which the bank is fully secured	14,409,281,626	10,320,828,789
ii) Loans considered good against which the bank holds no security than the debtors' personal guarantee	1,590,795,177	637,836,918
iii) Loans considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtors	36,676,639,937	21,502,436,473
iv) Loans adversely classified; provision not maintained there against	<u>52,676,716,740</u>	<u>32,461,102,180</u>
v) Loans due by directors or officers of the bank or any of them either separately or jointly with any other persons	285,878,234	149,008,029
vi) Loans due from companies or firms in which the directors or officers of the bank have interest as directors, partners or managing agents or, in case of private companies, as members	272,281,037	211,475,528
vii) Maximum total amount of advances, including temporary advances made 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	285,878,234	149,008,029
viii) Maximum total amount of advances, including temporary advances granted during the year to 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	272,281,037	211,475,528
ix) Due from banking companies	-	-
x) Classified loan for which interest has not been charged:		
(a) Increase/decrease of provision (specific)	1,030,582,602	339,802,202
Amount of Loans written off	61,679,683	-
Amount realised against the loans previously written off	6,573,347	5,104,283
(b) Provision against the loan classified as bad/loss at the date of balance sheet	783,975,500	481,126,842
(c) Amount of interest credited to the interest suspense account	453,484,281	236,131,399
xi) Amount of the loan written off:		
- Current year	61,679,683	-
- Cumulative to date	169,011,139	107,331,456
The amount of written off loans for which law suit filed	169,011,139	107,331,456

8.15 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.



**8.16 Bills purchased and discounted**

	<u>2008</u> <u>Taka</u>	<u>2007</u> <u>Taka</u>
Payable in Bangladesh	11,480,182	14,978,802
Payable outside Bangladesh	-	-
	<u>11,480,182</u>	<u>14,978,802</u>

**8.17 Maturity wise grouping of bills purchased and discounted**

Payable within one month	5,049,330	2,105,778
More than one month but not more than three months	5,508,420	3,127,924
More than three months but not more than six months	922,432	9,745,100
More than six months	-	-
	<u>11,480,182</u>	<u>14,978,802</u>

**8.18 Write off of loans and advances**

Balance at the beginning of the year	98,720,834	103,825,117
Add: Write off during the year	61,679,683	-
	160,400,517	103,825,117
Less: Recovery of write off loans	6,573,347	5,104,282
Balance at the end of the year	<u>153,827,170</u>	<u>98,720,835</u>

**9. Fixed assets including premises, furniture and fixtures****Cost:**

Land	87,940,465	-
Furniture and fixtures	517,726,279	313,298,380
Office equipments	393,730,920	174,662,975
IT equipments	954,976,513	727,365,108
Motor vehicles	48,773,301	25,069,761
	2,003,147,478	1,240,396,224
Less: Accumulated depreciation and impairment	531,123,199	297,466,938
Written down value at the end of the year	<u>1,472,024,279</u>	<u>942,929,286</u>

Details are shown in Annexure - F.





## 10. Other assets

### Income generating other assets :

Interest receivable (Note 10.1)	
3 Prepaid interest expenses on Interest First Fixed Deposit (IFFD)	
Receivable against Sanchaya Patra	
Stock of travellers' cheque	
Receivable from Omnibus	

2008	2007
Taka	Taka
663,093,383	492,166,703
191,208,688	192,627,701
14,221,666	2,811,653
1,728,538	5,721,141
35,290,252	14,791,372
905,542,527	708,118,570

### Non income generating other assets

Stock of stamps	
Other receivables (Note 10.2)	
1 { Stock of security stationery	
1 { Stock of printing stationery	
1 { Advance to staff and supplier	
1 { Advance to ELDORADO	
Deferred revenue expenditure	
Advance payment of income tax	
1 { Advance to staff for motor cycle purchase	
1 { Advance to SME unit offices	
1 { Advance against fixed assets	
1 { Advance against office rent	
2 Advance security deposit	
Advance cash to Group-4 for ATM replenishment	
Frauds, forgeries and operating loss	
* Leased assets - Premises	
Branch/cost centre adjustment account (Note 10.3)	

4,759,984	106,759
21,345,959	47,942,520
34,255,268	6,676,310
22,163,051	12,401,040
7,888,499	8,683,574
1,813,362	-
21,130,996	4,252,140
1,089,682,999	665,967,600
102,365,784	79,067,002
1,443,000	1,444,000
39,592,613	9,590,170
270,792,462	145,811,379
9,777,400	5,855,500
-	2,000,000
-	56,000
4,078,667	4,123,000
287,415	477,619
1,631,377,459	994,454,613
2,536,919,986	1,702,573,183

\* The Bank has taken lease an office premises under operating lease for a period of 99 years started from 2002 with an option to renew the lease after that date. Lease rentals paid Tk 4,389,000 at the time of lease (2002) are amortised over the term of the lease.

## 10.1 Interest receivable

Interest receivable consists of interest receivable on loans and investments.

Government securities	202,606,672	88,865,854
Other securities	7,271,046	13,282,878
Balance with other bank	97,571,954	122,574,635
Loans and advances	355,643,711	267,443,336
	663,093,383	492,166,703

## 10.2 Other receivables

	<u>2008</u> <u>Taka</u>	<u>2007</u> <u>Taka</u>
Remittance in transit	114,984	6,536,733
Receivable against remittance	15,204,666	22,230,705
Receivable against bills pay	-	30,000
Receivable against DD	-	1,710,000
Receivable against Cheques	173,441	441,800
Receivable against cards	14,053	523
Account receivable - FCY (Unclaimed)	-	150,838
Receivable from Merchant	4,321,350	12,135,643
Reimbursement receivable	1,027,465	4,576,747
Receivable from member bank - Omnibus	490,000	129,531
	<u>21,345,959</u>	<u>47,942,520</u>

## 10.3 Branch/cost centre adjustment account

Interbranch account - BDT (Note 10.3.1)  
Cost centre account

	-	10,000
	<u>287,415</u>	<u>467,619</u>
	<u>287,415</u>	<u>477,619</u>

### 10.3.1 Interbranch account - BDT

Interbranch account - Debit  
Interbranch account - Credit

	-	10,000
	-	-
	<u>-</u>	<u>10,000</u>

Branch adjustment account represents outstanding inter-branch, inter-division and head office transactions which are originated but not to be responded by the counter transaction at the balance sheet date.

## 11. Non-banking assets

No non-banking assets is under the possession of the bank which acquired as claims as at 31 December 2008.



## 12. Borrowings from other banks, financial institutions and agents

	<u>Tenor</u>	<u>2008</u> <u>Taka</u>	<u>2007</u> <u>Taka</u>
<b>In Bangladesh:</b>			
<b>Secured</b>			
<b>Un secured</b>			
Money at call and on short notice:			
Banking company:			
BASIC Bank Ltd.		150,000,000	-
Citibank, NA.		70,000,000	-
Dutch Bangla Bank Ltd.		50,000,000	-
One Bank Ltd.		10,000,000	-
Habib Bank Ltd.		20,000,000	-
Pubali Bank Ltd.		20,000,000	-
Agrani Bank Ltd.		100,000,000	-
Commercial Bank of Ceylon Ltd.		60,000,000	-
National Bank Ltd.		150,000,000	-
Mutual Trust Bank Ltd.		100,000,000	-
		730,000,000	-
Non banking financial institutions			
		730,000,000	-
Term borrowing:			
Banking company:			
Trust Bank Ltd.		-	300,000,000
The City Bank Ltd.		-	500,000,000
Eastern Bank Ltd.		-	390,000,000
Janata Bank Ltd.		-	200,000,000
Pubali Bank Ltd.	1 month	300,000,000	-
BASIC Bank Ltd.	3 months	400,000,000	200,000,000
Dutch Bangla Bank Ltd.		-	300,000,000
Sonali Bank Ltd.	3 months	400,000,000	-
ICB Islamic Bank Ltd.	6 months	300,000,000	-
Mutual Trust Bank Ltd.		-	300,000,000
Standard Chartered Bank	3 months	150,000,000	-
Premier Bank Ltd.		-	50,000,000
		1,550,000,000	2,240,000,000
Non banking financial institutions			
		2,280,000,000	2,240,000,000
<b>Outside Bangladesh</b>			
		2,280,000,000	2,240,000,000
<b>12.1 Maturity wise grouping</b>			
Up to one month		1,030,000,000	2,240,000,000
More than one month but not more than three months		950,000,000	500,000,000
More than three months but not more than one year		300,000,000	500,000,000
More than one year but not more than five years		-	-
More than five years		-	-
		2,280,000,000	2,240,000,000

### 13. Deposits and other accounts

	2008 Taka	2007 Taka
Local currency:		
Current deposits and other accounts	7,559,545,979	5,488,220,953
Bills payable (Note 13.3)	424,455,762	409,015,536
Savings bank deposits	4,627,686,658	3,985,564,159
Fixed deposits	42,966,367,653	26,780,133,617
Other deposits (Note 13.4)	1,869,308,657	101,484,618
	57,447,364,709	36,764,418,883
Foreign currency:		
Current deposits and other accounts	92,456,795	55,379,846
Fixed deposits	433,422,792	527,842,666
Other deposits	33,642,714	20,766,379
	559,522,301	603,988,891
	58,006,887,010	37,368,407,774

Figures of previous year have been rearranged, wherever considered necessary, to conform the current year's presentation.

#### 13.1 Deposit details concentrating liquidity nature

<b>Demand deposit</b>		
Current deposits	5,095,542,106	3,543,448,681
Savings bank deposits (10%)	462,768,666	398,556,416
Foreign currency deposit	126,099,510	76,146,225
Sundry deposit	8,006,494	8,583,673
Bills payable	424,455,761	409,015,536
	6,116,872,537	4,435,750,531
<b>Time deposit</b>		
Savings bank deposits (90%)	4,164,917,992	3,587,007,743
Foreign currency deposit	433,422,792	527,842,666
Fixed deposit	41,360,039,985	25,651,795,983
Short term deposit	2,464,003,873	1,944,772,271
Deposit Pension scheme	1,606,327,668	1,128,337,634
Security deposit - Loan	1,829,557,889	28,296,439
Security deposit - Other	31,744,274	64,604,506
	51,890,014,473	32,932,657,242
	58,006,887,010	37,368,407,773

#### 13.2 Maturity-wise grouping

Repayable on demand	2,186,639,843	1,549,331,168
Repayable within one month	4,546,705,761	4,247,487,806
Over one month but within six months	23,325,135,799	13,964,393,523
Over six months but within one year	23,250,613,148	9,781,413,260
Over one year but within five years	2,573,764,791	6,882,081,634
Over five years but within ten years	1,907,986,033	893,700,382
Over ten years	216,041,635	50,000,000
	58,006,887,010	37,368,407,773



### 13.3 Bills payable

	<u>Notes</u>	<u>2008</u> <u>Taka</u>	<u>2007</u> <u>Taka</u>
Stamp charges payable for loan clients		3,838,654	5,194,207
Insurance premium payable from SME loan clients		72,712,454	60,596,311
Pay orders issued		336,682,082	327,961,901
Sundry creditors		7,930	2,435
Payable - cards		11,214,642	15,260,682
		<u>424,455,762</u>	<u>409,015,536</u>

### 13.4 Other deposits - Local currency

Security money		31,744,274	64,604,506
Security deposit - Loan (SME)		1,803,023,997	580,580
Security deposit - Loan (Retail)		26,533,892	27,715,859
Merchant POS settlement account		233,245	239,046
Lease deposit		7,773,249	8,344,627
		<u>1,869,308,657</u>	<u>101,484,618</u>

### 14. Other liabilities

Provision for loans and advances	14.1	2,407,379,898	1,315,076,042
Provision for off balance sheet items	14.1	24,407,000	12,500,000
Provision for Nostro accounts	14.2	61,777	198,697
Interest suspense	14.3	453,484,281	236,131,399
Withholding tax payable	14.4	73,629,436	39,356,319
VAT payable	14.5	65,657,611	24,583,665
Provision for tax (including deferred tax)	14.6	1,807,767,245	1,046,088,132
Interest payable		1,278,624,884	722,329,667
Accrued expenses		407,782,128	157,990,261
Excise duty payable		32,793,996	20,447,207
Obligation under finance lease	14.7	-	4,485,369
Share subscription - IPO (refund warrant)		223,073	(277,159)
Right share subscription		3,164,500	-
Other bank cheque clearing account		68,733,931	19,335,721
Margin on L/C		62,118,810	76,244,081
Margin on L/G		12,757,173	6,949,992
Others		18,894,987	20,719,577
		<u>6,717,480,730</u>	<u>3,702,158,970</u>

#### 14.1 Provision for loans and advances

Provision for loans and advances is made to recover the bank from possible loan losses in the future. General provision is made on outstanding loans and advances according to the prescribed rates of Bangladesh Bank. Classified loans and advances of the bank are categorised as sub-standard, doubtful and bad/loss as per Bangladesh Bank guideline. Specific provision is made on the outstanding amount of the classified loans. Provision for off balance sheet items is made as per BRPD circular no. 8 of 7 August 2007 and 10 of 18 September 2007 to cover the bank for possible losses on off balance sheet items in the future.

A. General		
Balance at the beginning of the year	707,946,255	379,098,794
Add: Provision made during the year	61,721,255	328,847,462
Balance at the end of the year	<u>769,667,510</u>	<u>707,946,256</u>
B. Specific		
Balance at the beginning of the year	607,129,786	267,327,584
Add: Provision made during the year	1,076,827,165	339,802,202
	<u>1,683,956,951</u>	<u>607,129,786</u>
Less: Interest waiver during the year	5,978,586	-
Write off during the year	40,265,977	-
Balance at the end of the year	<u>1,637,712,388</u>	<u>607,129,786</u>
C. Total provision on loans and advances (A+B)	2,407,379,898	1,315,076,042
D. General - Off balance sheet items		
Balance at the beginning of the year	12,500,000	-
Add: Provision made during the year	11,907,000	12,500,000
Balance at the end of the year	<u>24,407,000</u>	<u>12,500,000</u>
Total provision maintained at the end of year (C+D)	<u>2,431,786,898</u>	<u>1,327,576,042</u>

#### 14.2 Provision for Nostro accounts

Provision on unreconciled entries of Nostro account balances is made as per the FEPD (FEMO)/01/2005-677 dated 13 September 2005. Provision maintained thereagainst are as follows:

Upto 3 Months	-	-
More than 3 months but less than 6 months	850	577
More than 6 months but less than 9 months	9,979	-
More than 9 months but less than 12 months	3,440	-
More than 12 months	-	-
Total required provision	<u>14,269</u>	<u>577</u>
Provision maintained	61,777	198,697
Excess provision	<u>47,508</u>	<u>198,120</u>

Statement of outstanding unreconciled entries are shown in Annexure - G.

#### 14.3 Interest suspense

Balance at the beginning of the year	236,131,399	117,853,867
Add: Transferred during the year	544,027,083	452,016,112
	<u>780,158,482</u>	<u>569,869,979</u>
Less: Amount of interest suspense recovered	304,583,794	333,738,580
Write off during the year	18,475,342	-
Interest waiver during the year	3,615,065	-
Balance at the end of the year	<u>453,484,281</u>	<u>236,131,399</u>

#### 14.4 Withholding tax payable

	2008 Taka	2007 Taka
Withholding tax payable on:	61,154,981	33,019,991
Interest	2,804,232	2,719,688
Suppliers	4,802,457	750,357
Contractors and consultants	1,663,160	2,356,481
Staff salaries and allowance	884,688	91,928
Rent	96,378	111,288
Export on knitwear	2,223,540	306,586
Commission or fees paid	73,629,436	39,356,319

#### 14.5 VAT payable

VAT payable on:	409,645	233,115
L/C commission	566,258	79,220
Commission for remittance	34,664,649	5,773,241
Loan processing fees	4,723,831	1,878,580
Credit cards	4,690,845	2,719,689
Supplier	16,878,864	10,548,155
DESA and DESCO	3,723,519	3,351,665
Others	65,657,611	24,583,665

#### 14.6 Provision for tax

Current (Note 14.6.1)	1,956,447,274	1,122,005,918
Deferred (Note 14.6.2)	(148,680,029)	(75,917,786)
	1,807,767,245	1,046,088,132

##### 14.6.1 Provision for current tax

Balance at the beginning of the year	1,122,005,918	498,511,560
Add: Provision for the year	1,220,000,000	766,000,000
	2,342,005,918	1,264,511,560
Less: Adjustment of tax provision for previous years	385,558,644	142,505,642
Balance at the end of the year	1,956,447,274	1,122,005,918

Assessment up to the income year ended 31 December 2006 corresponding to the assessment year 2007-2008 has been completed except for the year 2001 (assessment year 2002-2003). It is under appeal with the High Court preferred by the bank against tax department's demand for additional tax of Tk 3,367,206 which has been shown as contingent liability.

##### 14.6.2 Provision for deferred tax

Balance at the beginning of the year	(75,917,786)	44,082,214
Add: Provision for deferred tax liability:		
Charged/(credited) to profit & loss account	170,000,000	100,000,000
Charged/(credited) to revaluation reserve (Note 14.6.3)	97,237,757	-
	267,237,757	100,000,000
	191,319,971	144,082,214
	340,000,000	220,000,000
Less: Provision for deferred tax asset	(148,680,029)	(75,917,786)
Balance at the end of the year		



#### 14.6.3 Deferred tax charged/(credited) to revaluation reserve

	Unrealised surplus on revaluation of HTM securities Taka	Unrealised surplus on revaluation of HFT securities Taka	Total Taka
Balance at the beginning of the year	-	-	-
Charged/(credited) to reserve (Note 19)	3,443,253	93,794,504	97,237,757
Balance at the end of the year	3,443,253	93,794,504	97,237,757

#### 14.7 Obligation under finance lease

	2008 Taka	2007 Taka
Furniture and fixture	-	2,875,882
Office equipments	-	429,867
IT equipments	-	1,179,620
Motor vehicles	-	-
	-	4,485,369

### 15. Share capital

#### 15.1 Authorised

48,000,000 (2007: 20,000,000) ordinary shares of Tk. 100 each	4,800,000,000	2,000,000,000
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#### 15.2 Issued, subscribed and paid up

10,000,000 ordinary shares of Tk 100 each	1,000,000,000	1,000,000,000
3,200,000 (2007: 2,000,000) ordinary shares of Tk 100 each issued as bonus shares	320,000,000	200,000,000
2,640,000 ordinary shares of Tk 100 each issued as right shares	264,000,000	-
	1,584,000,000	1,200,000,000

Shareholding position was as follows:

	2008		2007
	No. of shares	Face value (Taka)	Face value (Taka)
<b>Sponsor</b>			
BRAC	5,307,681	530,768,100	380,868,000
Shore Cap International Ltd.	1,106,884	110,688,400	105,084,000
International Finance Corporation (IFC)	1,504,483	150,448,300	113,976,000
Others	1,148	114,800	72,000
<b>Non Sponsor</b>			
Non Resident Bangladeshi	32,078	3,207,800	5,688,500
Mutual Funds	572,963	57,296,300	28,980,000
Institutions and general public	7,314,763	731,476,300	565,331,500
	15,840,000	1,584,000,000	1,200,000,000

Classification of shareholders by holding:

	No. of shareholders	No. of shares	Percentage of holding of shares
Less than 500 shares	23,990	2,213,957	13.97%
501 to 5,000 shares	1,421	1,499,842	9.48%
5,001 to 10,000 shares	42	289,193	1.84%
10,001 to 20,000 shares	34	461,375	2.91%
20,001 to 30,000 shares	4	97,860	0.62%
30,001 to 40,000 shares	4	141,029	0.89%
40,001 to 50,000 shares	2	84,228	0.53%
50,001 to 100,000 shares	10	769,092	4.85%
100,001 to 1,000,000 shares	11	2,364,376	14.93%
Over 1,000,000 shares	3	7,919,048	49.98%
	25,521	15,840,000	100.0%



### 15.3 Right issue

According to Securities and Exchange Commission (Right Issue) Rules-2006 "right share" means new shares offered to the existing shareholders of a public listed company in proportion to their existing holding out of total shares of the company. Out of the total issued, subscribed and fully paid up capital of the bank 2,640,000 ordinary shares of Tk 100 each amounting to Tk 264,000,000 was raised through right offering of shares held in 2008.

### 15.4 Capital Adequacy Ratio

Calculated as per BRPD Circular nos. 10 dated 24 November 2002, 1 dated 19 February 2007, 5 dated 14 May 2007, 3 dated 12 March 2008 and 6 dated 21 May 2008 issued by Bangladesh Bank.

	<u>2008</u> <u>Taka</u>	<u>2007</u> <u>Taka</u>
<b>Tier - I (core capital)</b>		
Paid up capital	1,584,000,000	1,200,000,000
Share premium	1,406,000,000	350,000,000
Statutory reserve	908,762,089	504,071,923
Retained earnings	919,872,415	517,911,751
	<u>4,818,634,504</u>	<u>2,571,983,674</u>
<b>Tier - II (supplementary capital)</b>		
General provision maintained for:		
Unclassified loans and advances	769,667,510	707,946,256
Off Balance Sheet items	24,407,000	12,500,000
Redeemable preference share capital	500,000,000	500,000,000
Exchange equalisation reserve	45,000	45,000
Revaluation reserves of HTM securities (up to 50% of the revaluation reserves)	3,825,837	-
	<u>1,297,945,347</u>	<u>1,220,491,256</u>
Total capital	<u>6,116,579,851</u>	<u>3,792,474,930</u>
Total Risk Weighted Assets	<u>47,943,151,292</u>	<u>30,880,678,643</u>
Required capital based on Risk Weighted Assets - 10%	<u>4,794,315,129</u>	<u>3,088,067,864</u>
Surplus	<u>1,322,264,722</u>	<u>704,407,066</u>
Capital Adequacy Ratio:		
On core capital - against standard of minimum 5%	10.05%	8.33%
On total capital - against standard of minimum 10%	12.76%	12.28%

Capital adequacy ratio are determined by dividing those capital components by risk weighted assets. Risk weighted assets are computed by applying the prescribed risk weights on assets and off balance sheet exposures.

# 15.5 Computation of Risk Weighted Assets

Particulars	Balance as at 31.12.08	Risk weighted factor	Risk weighted balance as at 31.12.08
Cash in hand and at banks :	(Taka in '000)		(Taka in '000)
a) Cash in hand and balance with banks	6,230,761	0%	-
b) Balances with other financial institutions - Private	1,280,000	20%	256,000
Money at call and on short notice	-	20%	-
Import and inland bills	11,480	100%	11,480
Advances:			
a) Government	-	0%	-
b) Deposit money banks	-	20%	-
c) Other financial institutions - Private	1,247,203	50%	623,601
d) Major non-financial public enterprises	-	50%	-
e) Other non-financial public enterprises	-	50%	-
f) Local authorities	-	20%	-
g) Private sector	43,083,863	100%	43,083,863
Investment:			
a) Presidency, PM's office, Parliament, etc.			-
i) Treasury Bills and Bonds	7,879,143	0%	-
ii) Bangladesh Sanchaya Patra/DSC etc.	-	0%	-
iii) Prise Bonds	1,052	0%	-
iv) Other securities of Government	-	0%	-
b) Autonomous and Semi Autonomous Bodies	-	20%	-
c) Other financial institutions - Private	14,678	50%	7,339
d) Major non-financial public enterprises	-	50%	-
e) Other non-financial public enterprises	-	50%	-
f) Local authorities	-	20%	-
g) Private sector	350,000	100%	350,000
h) Deposit money banks	500	20%	100
i) Negotiable certificates of deposits	-	20%	-
j) 91 Days BB Bill	-	0%	-
Head office and interbranch adjustment	-	0%	-
Other Assets:			
a) Off balance sheet items	675,672	50%	337,836
b) Fixed assets	1,472,024	50%	736,012
c) Valuation adjustments	-	50%	-
d) Expenditure account	-	0%	-
e) Others	2,536,920	100%	2,536,920
	<u>64,783,296</u>		<u>47,943,151</u>



# 16. Redeemable preference share capital

	<u>2008</u> <u>Taka</u>	<u>2007</u> <u>Taka</u>
5,000,000 preference shares (9%, 5 years cumulative redeemable) of Tk 100 each	<u>500,000,000</u>	<u>500,000,000</u>

Break up of shareholders are given below:

	<u>2008</u>		<u>2007</u>
	<u>No. of shares</u>	<u>Face value (Taka)</u>	<u>Face value (Taka)</u>
IDLC Finance Limited	500,000	50,000,000	50,000,000
United Leasing Company Ltd.	500,000	50,000,000	50,000,000
Green Delta Insurance Co. Ltd.	500,000	50,000,000	50,000,000
Trust Bank Ltd.	1,000,000	100,000,000	100,000,000
Prime Bank Ltd.	1,000,000	100,000,000	100,000,000
Bank Al-Falah Ltd.	1,000,000	100,000,000	100,000,000
Bangladesh Shilpa Bank	500,000	50,000,000	50,000,000
	<u>5,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>

# 17. Share premium

	<u>2008</u> <u>Taka</u>	<u>2007</u> <u>Taka</u>
5,000,000 ordinary shares @ Tk 70 per share	350,000,000	350,000,000
2,640,000 ordinary shares @ Tk 400 per share	1,056,000,000	-
	<u>1,406,000,000</u>	<u>350,000,000</u>

Particulars of share premium as at 31 December:

	<u>2008</u>		<u>2007</u>
	<u>No. of shares</u>	<u>Value (Taka)</u>	<u>Value (Taka)</u>
Sponsor			
BRAC	4,189,548	335,163,840	-
ShoreCap International Ltd.	1,155,924	92,473,920	-
International Finance Corporation (IFC)	1,253,736	100,298,880	-
Others	792	63,360	-
Non Sponsor			
Non Resident Bangladeshi	660,000	87,800,000	35,000,000
Mutual Funds	660,000	87,800,000	35,000,000
Institutions and general public	5,280,000	702,400,000	280,000,000
	<u>13,200,000</u>	<u>1,406,000,000</u>	<u>350,000,000</u>

# 18. Statutory reserve

	<u>2008</u> <u>Taka</u>	<u>2007</u> <u>Taka</u>
Balance at the beginning of the year	504,071,923	251,204,796
Add: Transferred from profit during the year	404,690,166	252,867,127
Balance at the end of the year	<u>908,762,089</u>	<u>504,071,923</u>

## 19. Revaluation reserve

Revaluation reserve is made as per the DOS circular no. 5 dated 26 May 2008. Movement of revaluation reserve is as follows:

	2008		2007
	<u>HTM</u>	<u>HFT</u>	<u>Total</u>
Balance at the beginning of the year	-	-	-
Add: Addition during the year	7,651,674	208,432,230	216,083,904
	7,651,674	208,432,230	216,083,904
Less: Deferred tax liabilities	3,443,253	93,794,504	97,237,757
Balance at the end of the year	4,208,421	114,637,726	118,846,147

## 20. Retained earnings

	2008	2007
	<u>Taka</u>	<u>Taka</u>
Balance at the beginning of the year	517,911,751	365,943,241
Less: Dividend on preference share	46,800,000	13,500,000
	471,111,751	352,443,241
Less: Issue of bonus share	120,000,000	200,000,000
	351,111,751	152,443,241
Add: Retained surplus for the year	568,760,664	365,468,510
Balance at the end of the year	919,872,415	517,911,751

## 21. Income statement

Income:		
Interest, discount and similar income (Note 21.1)	8,923,828,507	5,321,401,584
Dividend income (Note 24)	6,400,000	5,087,381
Fees, commission and brokerage (Note 21.2)	1,759,076,519	612,546,200
Gains less losses arising from dealing in securities	-	-
Gains less losses arising from investment in securities	-	-
Gains less losses arising from dealing in foreign currencies (Note 25)	192,117,201	159,237,403
Income from non-banking assets	-	-
Other operating income	19,853,415	16,113,551
Profit less losses on interest rate changes	-	-
Nominal value of bonus share received	-	-
	<u>10,901,275,642</u>	<u>6,114,386,119</u>
Expenses:		
Interest, fees and commission (Note 23)	4,865,091,805	2,571,236,238
Losses on loans and advances	-	-
Administrative expenses (Note 21.3)	2,105,309,405	1,195,850,399
Other expenses (Note 31)	522,029,311	272,133,522
Depreciation on and repairs to bank's assets (Note 30)	234,938,872	129,673,434
	<u>7,727,369,393</u>	<u>4,168,893,593</u>
	<u>3,173,906,249</u>	<u>1,945,492,526</u>

Figures of previous year have been rearranged, wherever considered necessary, to conform the current year's presentation.

## 21.1 Interest, discount and similar income

	<u>2008</u> <u>Taka</u>	<u>2007</u> <u>Taka</u>
Interest on loans and advances	7,949,341,136	4,555,233,028
Interest on money at call and on short notice	39,150,974	36,367,868
Interest on balance with other banks	32,609,564	41,745,682
Interest on treasury bills and bonds	692,029,894	436,067,916
Interest on debenture	-	7,416,667
Interest on fixed deposit with other banks	204,232,081	242,363,673
Interest on coupon bearing bond	6,162,500	-
Interest on zero coupon bond	302,358	2,206,750
	<u>8,923,828,507</u>	<u>5,321,401,584</u>

## 21.2 Fees, commission and brokerage

Fees	1,500,427,285	492,081,026
Commission	258,649,234	120,465,174
	<u>1,759,076,519</u>	<u>612,546,200</u>

## 21.3 Administrative expenses

Salaries and allowances	1,422,467,134	789,774,456
Rent, taxes, insurance, electricity etc.	201,185,595	109,452,384
Legal expenses	6,659,649	4,753,874
Postage, stamps, telecommunication, etc.	153,973,003	99,026,739
Stationery, printing, advertisement etc.	212,445,802	134,980,937
Managing Director & CEO's salary and fees	21,606,094	8,332,800
Directors' fees and expenses	729,715	399,144
Auditors' fees	753,125	622,500
Repairs and maintenance	85,489,288	48,507,565
	<u>2,105,309,405</u>	<u>1,195,850,399</u>

## 22. Interest income

Interest on loans and advances:		
Retail	1,281,570,721	805,959,899
Corporate	1,018,721,914	712,097,870
Lease finance	78,426,524	51,511,899
SME	5,217,412,505	2,952,692,810
Credit cards	340,848,639	24,874,544
Staff	12,360,833	8,096,006
Interest on money at call and on short notice	39,150,974	36,367,868
Interest on balance with other banks	32,609,564	41,745,682
	<u>8,021,101,674</u>	<u>4,633,346,578</u>

## 23. Interest paid on deposits, borrowings, etc.

Interest on deposits		
Current	90,511,882	46,153,742
STD	162,266,704	55,412,993
Savings	127,176,298	115,613,895
Term	4,241,769,898	2,162,793,118
	<u>4,621,724,782</u>	<u>2,379,973,748</u>
Interest on money at call and on short notice	27,398,695	51,387,078
Interest on local bank accounts	205,065,190	136,057,271
Interest on dealing of securities	10,903,138	-
Interest on refinance from Bangladesh Bank	-	3,818,141
	<u>4,865,091,805</u>	<u>2,571,236,238</u>



## 24. Income from investment

Interest on treasury bills and bonds	692,029,894	436,067,916
Interest on debenture		7,416,667
Dividend on shares	6,400,000	5,087,381
Interest on fixed deposits with other banks	204,232,081	242,363,673
Interest on coupon bearing bond	6,162,500	-
Interest on zero coupon bond	302,358	2,206,750
	<u>909,126,833</u>	<u>693,142,387</u>

Figures of previous year have been rearranged, wherever considered necessary, to conform the current year's presentation.

## 25. Commission, exchange and brokerage

	<u>2008</u> <u>Taka</u>	<u>2007</u> <u>Taka</u>
Commission from sale of Sanchaya Patra	302,260	856,789
Commission from issue of pay orders, DD & TT	7,125,203	4,610,762
Commission from issue of letter of guarantee	3,874,111	4,336,637
Commission from issue of letters of credit (Import & Export)	36,149,109	20,387,304
Commission on visa processing	6,985,066	6,746,932
Commission on Travellers Cheques	2,371,557	1,312,338
Commission on remittance	199,364,069	81,542,936
Other commission	2,477,860	671,478
Loan processing fees	919,941,878	259,459,899
Account activity fees	34,707,761	20,356,106
Import and export related fees	3,055,800	2,014,379
Fees and commission - Cards	175,861,021	27,252,102
Other fees (Note 25.1)	18,973,310	9,977,441
Foreign exchange earnings	192,117,201	159,237,403
Relationship fees	136,333,458	68,331,031
Loan early settlement fees	64,746,771	28,274,769
Loan penal fees	1,164,311	7,060,495
Service charges for ATM card	131,256,562	59,817,641
Fund collection/transfer fees	7,042,162	4,281,844
Student service centre fees	6,335,000	4,403,431
Cancellation fees	267,500	209,831
Cheque collection fees	741,750	642,056
	<u>1,951,193,720</u>	<u>771,783,604</u>

### 25.1 Other fees

Passport endorsement fees	5,598,598	560,530
Charges for locker	2,867,045	2,482,025
DPS penal fees	6,515	266,863
Service charges realisation	1,153,991	1,456,131
IOM service charge	2,346,680	2,206,925
Annual membership fees - Premium banking	336,300	684,400
Annual fees - SMS banking	-	57,510
Syndication arrangement fees	6,246,987	2,243,500
Valuation fees	151,638	-
Omnibus fees	265,556	19,557
	<u>18,973,310</u>	<u>9,977,441</u>

Figures of previous year have been rearranged, wherever considered necessary, to conform the current year's presentation.

**26. Rent, taxes, insurance, electricity etc.**

	<u>2008</u>	<u>2007</u>
	<u>Taka</u>	<u>Taka</u>
Rent, rates and taxes	135,857,896	75,858,495
Insurance	27,871,858	14,939,443
Power and electricity	34,031,206	16,977,624
WASA and sewerage	3,424,635	1,676,822
	<u>201,185,595</u>	<u>109,452,384</u>

**27. Postage, stamps, telecommunication, etc.**

Postage	29,043,610	16,005,314
Telegram, telex, fax and e-mail	48,468,589	20,527,292
Court fees and stamps	1,011,304	147,271
Telephone - Office	75,449,500	62,346,862
	<u>153,973,003</u>	<u>99,026,739</u>

Figures of previous year have been rearranged, wherever considered necessary, to conform the current year's presentation.

**28. Stationery, printing, advertisement etc.**

Stationery and printing	104,130,563	60,365,128
Security stationery	14,030,203	9,966,118
Advertisement	94,285,036	64,649,691
	<u>212,445,802</u>	<u>134,980,937</u>

**29. Directors' fees and expenses**

Directors' fees represent fees paid for attending board meetings @ Tk. 4,000 per director per meeting and travel and hotel accommodation expenses of foreign Director for attending the Board meetings.

Break up of directors fees and expenses are:

Directors' fees	232,000	312,000
Travelling and others	497,715	87,144
	<u>729,715</u>	<u>399,144</u>

**30. Depreciation on and repairs to bank's assets**

Depreciation		
Furniture and fixture	34,609,771	23,335,925
Office equipment	48,223,403	24,094,538
IT equipments	146,852,041	79,215,585
Motor vehicles	5,253,656	3,027,386
	<u>234,938,871</u>	<u>129,673,434</u>
Repairs and maintenance		
Transport	32,188,563	10,966,064
Office equipment	11,756,948	6,603,944
Computer hardware and software	30,478,924	22,138,331
Premises	11,064,853	8,799,226
	<u>85,489,288</u>	<u>48,507,565</u>
	<u>320,428,159</u>	<u>178,180,999</u>

### 31. Other expenses

	<u>2008</u>	<u>2007</u>
	<u>Taka</u>	<u>Taka</u>
Transportation and conveyance	70,517,096	41,835,346
Fuel expenses	20,440,278	6,546,263
Travelling	36,317,650	30,440,431
Professional fees	15,663,728	4,807,018
Entertainment	1,598,382	1,189,887
Staff welfare	24,861,718	21,672,546
SWIFT	1,082,194	1,134,057
Business development	8,805,420	5,866,821
Books, news papers and periodicals	1,439,579	1,175,418
Donation and subscription	25,789,447	4,731,964
VAT and excise duty	2,199,845	14,540,674
Fraud, forgeries and operating loss	28,294,019	110,000
Staff training	24,471,516	2,954,471
Staff liveries	3,112,300	347,250
Staff recruitment	898,328	590,590
Bank charges	166,543,170	96,399,436
Finance charge on leased assets	324,782	4,736,384
Crockeries	960,209	552,388
IPO expenses	192,183	1,447,116
Documentation charges - CIB	2,496,792	8,116,245
Data verification charge	3,809,106	1,952,048
Credit card expenses	20,851,669	6,117,410
AGM/EGM expenses	19,250,000	4,959,456
Right issue expenses	3,365,593	-
Outsource agency fees	5,236,159	-
Commission paid	1,553,875	-
Cash carrying charge	29,444,851	8,633,249
Miscellaneous	2,509,422	1,277,055
	<u>522,029,311</u>	<u>272,133,522</u>

Figures of previous year have been rearranged, wherever considered necessary, to conform the current year's presentation.

### 32. Provision for loans and advances

For classified loans and advances	1,076,827,165	339,802,202
For unclassified loans and advances	<u>61,721,255</u>	<u>328,847,462</u>
	<u>1,138,548,420</u>	<u>668,649,664</u>

### 33. Provision for off balance sheet items

Provision for off balance sheet items is made as per BRPD circular nos. 8 of 7 August 2007 and 10 of 18 September 2007 for covering the bank for possible losses on off balance sheet items in the future. Details movement of Provision for Off Balance Sheet items is as follows:

Balance at the beginning of the year	12,500,000	-
Add: Provision made during the year	<u>11,907,000</u>	<u>12,500,000</u>
Balance at the end of the year	<u>24,407,000</u>	<u>12,500,000</u>



### 34. Basic earnings per share

	2008 Taka	2007 Taka
Profit after tax	973,450,830	618,335,637
Less: Preference dividend	46,800,000	18,431,507
Profit attributable for distribution to ordinary shareholders	926,650,830	599,904,130
Weighted average number of shares (Note 34.1)	14,873,650	14,183,400
Weighted average/adjusted earnings per share	62.30	42.30

#### 34.1 Weighted average number of shares

Ordinary share at 1 January 2008	12,000,000
Bonus issued on 19 May 2008 (1 share per 10 shares held)	1,200,000
Shares outstanding prior to exercising right share	13,200,000
Right shares exercised on 14 July 2008 (1 share per 5 shares held)	2,640,000
Shares outstanding after exercising right share	15,840,000
Theoretical ex-rights per share	796.67
Adjustment factor	1.0745
Fair value of each share (market price as on 14 July 2008)	856
Exercise value of right shares	500
Weighted average number of shares prior to exercising right share	14,183,400
Weighted average number of shares after exercising right share	14,873,650

### 35. Contingent liabilities

Acceptances and endorsements	136,773,626	222,882,782
Import letters of credit - Sight	1,452,386,639	1,100,243,227
Import letters of credit - Usance	96,930,677	294,496,219
Import letters of credit - Back to Back	21,389,341	42,574,855
Letters of guarantee (Note 35.1)	425,080,706	269,968,985
Contingent asset - FX deals	-	137,125,000
Bills for collection (Note 35.2)	8,570,591	69,227,653
Tax liability (Note 35.4)	3,367,206	3,367,206
Stock of travellers cheques	3,645,673	3,626,956
Stock of Govt. Sanchaya Patra	12,851,000	13,033,150
	2,160,995,459	2,156,546,033

Figures of previous year have been rearranged, wherever considered necessary, to conform the current year's presentation.



### 35.1 Letters of guarantee

	<u>2008</u> <u>Taka</u>	<u>2007</u> <u>Taka</u>
Letters of guarantee (Local)	425,080,706	269,968,985
Letters of guarantee (Foreign)	-	-
Foreign counter guarantee	-	-
	<u>425,080,706</u>	<u>269,968,985</u>
Less: Margin	<u>12,757,173</u>	<u>6,949,992</u>
	<u>412,323,533</u>	<u>263,018,993</u>

Balance for which the Bank is contingently liable in respect of guarantee issued favouring:

Directors	-	-
Government	-	-
Banks and other financial institutions	14,186,152	-
Others	<u>410,894,554</u>	<u>269,968,985</u>
	<u>425,080,706</u>	<u>269,968,985</u>
Less : Margin	<u>12,757,173</u>	<u>6,949,992</u>
	<u>412,323,533</u>	<u>263,018,993</u>

### 35.2 Bills for collection

Outward local bills for collection	8,570,591	25,025,300
Outward foreign bills for collection	-	44,202,353
Inward local bills for collection	-	-
Inward foreign bills for collection	-	-
	<u>8,570,591</u>	<u>69,227,653</u>

### 35.3 Irrevocable letters of credit

Letters of credit (Inland)	72,987,803	72,987,803
Letters of credit (General)	1,476,329,513	1,321,751,643
Back to back L/C	<u>21,389,341</u>	<u>42,574,855</u>
	<u>1,570,706,657</u>	<u>1,437,314,301</u>
Less: Margin	<u>62,118,810</u>	<u>76,244,081</u>
	<u>1,508,587,847</u>	<u>1,361,070,220</u>

### 35.4 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 return, the Tax Authority disallowed these expenses. BRAC Bank Ltd. filed an appeal against the 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. filed an appeal to the Supreme Court of Bangladesh, High Court Division for revision in this regard which is under process.

**35.5 Subsequent position of contingent liabilities reported as at 31 January 2009**

	<u>Taka</u>
Acceptances and endorsements	136,746,409
Import letters of credit - Sight	1,195,444,249
Import letters of credit - Usance	290,372,720
Import letters of credit - Back to back	20,616,075
Guarantees issued	433,689,759
Tax liability	3,367,206
Export documents for collection	8,138,566
Contingent assets - FX deals	275,602,600
Stock of travellers cheques	3,644,879
Stock of govt. sanchaya patra	12,851,000
	<u>2,380,473,463</u>

**35.6 Significant concentration wise grouping**

	<u>2008</u> <u>Taka</u>	<u>2007</u> <u>Taka</u>
i) Documentary credits and short term trade related transactions	2,141,131,580	1,999,393,721
ii) Forward asset purchased and forward deposits placed	-	-
iii) Undrawn formal standby facilities, credit lines and other commitments	-	-
Under one year	-	-
One year and over	-	-
iv) Other exchange contracts	-	-
v) Others	16,496,673	153,785,106
	<u>3,367,206</u>	<u>3,367,206</u>
	<u>2,160,995,459</u>	<u>2,156,546,033</u>

**35.7 Suit filed by the Bank**

No law suit filed by the bank against contingent liabilities other than stated in note 35.4.

**36. Receipts and payments from other operating activities**

**36.1 Receipts from other operating activities**

Recovery of written off bad Loans	6,573,347	5,104,283
Profit on sale of assets	75,932	21
Miscellaneous income	11,983,591	10,626,311
Rebate income from other bank	1,220,545	382,936
	<u>19,853,415</u>	<u>16,113,551</u>

**36.2 Payment for other operating activities**

Rent, taxes, insurance, electricity etc.	189,517,796	109,981,947
Audit fees	600,000	485,877
Directors fees and expenses	729,715	399,144
Repairs and maintenance	71,153,641	45,850,259
Other expenses	418,567,440	260,598,121
Legal expenses	9,692,560	4,753,874
	<u>690,261,152</u>	<u>422,069,222</u>



### 37. General

#### 37.1 Audit Committee

An audit committee was constituted by the Board of Directors of BRAC Bank Limited in its 23rd meeting held on 2 March 2003. Subsequently, the Board of directors in its 91 meeting held on 14 May 2008 reconstituted the Audit Committee as under:

Sl. no.	Name	Status with the bank	Status with the committee	Educational qualification
1)	Mr. Shib Narayan Kairy	Director	Chairman	M. Com. in Accounting
2)	Mr. Muhammad A (Rume) Ali	Chairman	Member	M.A. in Economics
3)	Ms. Nihad Kabir	Director	Member	LLB, LLM (UK) (Barrister at Law)

In the year 2008, the Audit Committee of the Board conducted 6 (six) meetings in which among others, the following issues were discussed:

- Discuss the Inspection report of Bangladesh Bank on Head office & Branch.
- Discuss the Comprehensive audit report of different Head Office departments, Branches and SME Unit Offices conducted by the Bank's internal audit team from time to time.
- Discuss the report Departmental Control Function Checklist (DCFCL) and AML compliance report
- Discuss the Enterprise Risk Management report that prepared and conducted by ERM team
- Discuss the fraud/forgeries report
- Review the position of reconciliation with other bank and Nostro account
- Health check for certification of branch operation and compliance status
- Review the status of the SMA and Bad/Loss loan
- Review the retail credit policy
- Review the internal audit report on IT Department
- Review the PPG of credit card and other product related to credit card
- Review of case filing process of impaired assets
- Reviewing the corporate credit policy.

#### 37.2 Related Party/(ies) Transactions

The bank carried out transactions with related parties in the normal course of business on an arm's length basis. As at 31 December 2008, the bank had following balance with the 'Related Party/(ies)' as defined in the BRPD circular no. 14 issued by the Bangladesh Bank on 25 June 2003:

Name of the Related Parties	Relationship	Nature of Transaction	Balance at year end (Taka)
BRAC and its associated organisations	Director	Deposits made with the bank	4,694,091,098
Delta Brac Housing Finance Corporation Ltd.	Director	Deposits made with the bank	220,087,700
Industrial & Infrastructure Development Finance Co. Ltd.	Director	Loans and advances	272,281,037
		Term lending	140,000,000

37.2.1 Name of Directors and the entities in which they have interest as director as at 31 December 2008:

Sl.	Name of directors	Status with the Bank	Name of the firms/companies in which they have interest	Educational qualification
1	Mr. Muhammad A(Rumee) Ali	Chairman	BRAC BDMail Network Ltd. Delta Brac Housing Finance Corp. Ltd.	MA (Economics)
2	Mr. Quasi M. Shariful Ala, FCA	Director	Delta Brac Housing Finance Corp. Ltd. Mobil Jamuna Lubricants Ltd.	Graduate in Economics (LSE), UK, FCA
3	Ms. Nihad Kabir (Independent Director)	Director	Kadarpur Tea Company Ltd. Sathgao Tea Estate	LLB, LLM (UK) (Barrister at Law)
4	Mr. Mark A. Cofey	Director	Nil	Masters of Business & Public Management, Brigham Young University, USA
5	Ms. Tamara Hasan Abed	Director	SOLV IT Limited	MBA (Finance), USA
6	Mr. Shib Narayan Kairy	Director	BRAC Services Ltd. BRAC Industries Ltd. Documenta TM Ltd. BRAC Karnafuli Tea Co. Ltd. BRAC Banshkhali Tea Co. Ltd. BRAC Kaiyacherra Tea Co. Ltd. BRAC Kodala Tea Estate Ltd. Bangladesh Netting Factory Ltd.	M.Com. in Accounting
7	Mr. Hafiz G.A. Siddiqui (Depositor Director)	Director	North South University	Ph.D. (Manchester Business School), UK, MBA (Graduate School of Business Indiana University), USA
8	Mr. A.E.A. Muhaimen	Managing Director	Nil	MBA (IBA)

37.2.2 Significant contracts where bank is a party and wherein Directors have interest

Taka  
Nil

37.2.3 Shares issued to Directors and executives without consideration or exercisable at discount

Nil

37.2.4 Lending Policies to related parties:

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

Nil

37.2.5 Loan and advances to Directors and their related concerns:

Industrial & Infrastructure Development Finance Company Ltd.  
Classification status

272,281,037  
Unclassified

37.2.6 Business other than Banking business with any related concern of the directors as per section 18(2) of the Bank Companies Act 1991

Nil

37.2.7 Investment in the securities of directors and their related concern

Nil

**37.3 Capital expenditure commitments**

The bank has capital expenditure amounting to Tk 71,529,078 contracted but not incurred or provided for as at 31 December 2008.

**37.4 Claim not acknowledged as debt**

There was no claim against the bank acknowledged as debt as at 31 December 2008.

**37.5 Number of employees**

The number of employees including contractually engaged for the whole year or part thereof who received a total remuneration of Tk. 36,000 per year and/or Tk 3,000 per month or above were 6,061 (2007: 4,428).

**37.6 Post balance sheet events**

The Board of Directors in its 102nd meeting held on 15 March 2009 has recommended bonus share at the ratio of 3:10 (three bonus shares for every ten shares held) subject to the approval of the shareholders at the next Annual General Meeting.

**37.7 Coverage of external audit**

The external auditor of the Bank, M/s Rahman Rahman Huq, Chartered Accountants worked about 2,700 man hour. They have reviewed more than 80% of the Bank's risk weighted assets as at the Balance Sheet date.

**37.8 Share trading**

The bank traded its ordinary shares in CDBL through DSE and CSE on 31 January 2007. The closing market price on 31st December 2008 was Tk. 828 at DSE and Tk. 825.75 at CSE.

**37.9 General**

37.9.1 Highlights on the overall activities of the bank have been furnished in Annexure - A.



## BRAC Bank Limited

Annexure - A

### Highlights on the overall activities as at and for the year ended 31 December 2008

	<u>2008</u> <u>Taka</u>	<u>2007</u> <u>Taka</u>
1 Paid up capital	1,584,000,000	1,200,000,000
2 Total capital (core + supplementary)	6,116,579,851	3,792,474,930
3 Capital surplus/(deficit)	1,322,264,722	704,407,066
4 Total assets	72,441,893,391	46,382,595,418
5 Total deposits	58,006,887,010	37,368,407,774
6 Total loans and advances	52,676,716,740	32,461,102,180
7 Total contingent liabilities and commitments	2,160,995,459	2,156,546,033
8 Credit deposit ratio (%)	90.81%	86.87%
9 Percentage of classified loans against total loans and advances	4.69%	4.45%
10 Profit after tax and provisions	973,450,830	618,335,637
11 Amount of classified loans during the year	2,473,011,790	1,444,777,530
12 Provisions kept against classified loans	1,637,712,388	607,129,786
13 Provision surplus	682,365,273	45,074,526
14 Cost of fund	9.44%	8.91%
15 Interest earning assets	69,338,491,653	44,445,211,520
16 Non-interest earning assets	3,103,401,738	1,937,383,898
17 Return on investment (ROI) [PAT / (Shareholders equity + Borrowings)]	12.61%	11.64%
18 Return on assets (ROA) [PAT / Average assets]	1.64%	1.62%
19 Income from investment	909,126,833	693,142,387
20 Weighted average earning per share	62.30	42.30
21 Net income per share [PAT - Dividend on preference share] / No. of ordinary shares]	58.50	49.99
22 Price earning ratio (MPS / EPS)	13.29	29.33
23 Return on equity (ROE) [PAT/Average shareholders' equity]	22.88%	23.83%
24 Net asset value per share (NAV) [(shareholders equity - preference share)/no. of ordinary shares]	311.71	214.34

## BRAC Bank Limited

**Statement of Liquidity**  
**(Maturity Analysis of Assets and Liabilities)**  
**as at 31 December 2008**

	<u>Upto</u> <u>one month</u> <u>Taka</u>	<u>One to three</u> <u>months</u> <u>Taka</u>	<u>Three to</u> <u>twelve months</u> <u>Taka</u>	<u>One to</u> <u>five years</u> <u>Taka</u>	<u>More than</u> <u>five years</u> <u>Taka</u>	<u>Total</u> <u>Taka</u>
<b>ASSETS:</b>						
Cash in hand	4,315,888,000	-	-	-	-	4,315,888,000
Balance with other banks and financial institutions	1,944,971,113	50,000,000	1,200,000,000	-	-	3,194,971,113
Money at call and on short notice	-	-	-	-	-	-
Investments	1,730,330	14,500,000	19,751,262	443,380,521	7,766,011,160	8,245,373,273
Loans and advances	4,214,137,339	10,535,343,348	21,929,042,690	14,694,170,135	1,304,023,228	52,676,716,740
Fixed assets including leased assets	26,153,200	52,198,749	232,107,566	855,540,511	306,024,253	1,472,024,279
Other assets	533,960,330	594,664,809	1,228,872,464	179,422,383	-	2,536,919,986
Non-banking assets	-	-	-	-	-	-
<b>Total assets</b>	<b>11,036,840,312</b>	<b>11,246,706,906</b>	<b>24,609,773,982</b>	<b>16,172,513,550</b>	<b>9,376,058,641</b>	<b>72,441,893,391</b>
<b>LIABILITIES:</b>						
Borrowings from other banks, financial institutions and agents	1,030,000,000	950,000,000	300,000,000	-	-	2,280,000,000
Deposits	6,733,345,604	15,925,836,114	30,649,912,833	2,573,764,791	2,124,027,668	58,006,887,010
Provisions and other liabilities	782,210,513	1,396,819,642	1,748,566,342	657,713,798	2,132,170,436	6,717,480,730
<b>Total liabilities</b>	<b>8,545,556,117</b>	<b>18,272,655,756</b>	<b>32,698,479,175</b>	<b>3,231,478,589</b>	<b>4,256,198,104</b>	<b>67,004,367,740</b>
<b>Net liquidity difference</b>	<b>2,491,284,195</b>	<b>(7,025,948,850)</b>	<b>(8,088,705,193)</b>	<b>12,941,034,961</b>	<b>5,119,860,537</b>	<b>5,437,525,651</b>

Net liquidity difference represents the "Capital/shareholders' equity" of the Bank.

**BRAC Bank Limited**  
**Balance with other banks and financial institutions-Outside Bangladesh (Nostro Account)**  
**as at and for the year ended 31 December 2008**

Name of Bank	A/C Type	2008			2007		
		FC amount	Exchange rate	Equivalent Taka	FC amount	Exchange rate	Equivalent Taka
Standard Chartered Bank - USA(USD)	CD	207,348.26	68.9350	14,293,552	149,220.57	68.5625	10,230,935
Mashreq Bank - USA(USD)	CD	101,961.48	68.9350	7,028,715	668.14	68.5625	45,810
The Bank of Nova Scotia - Canada (CAD)	CD	90,766.38	56.5157	5,129,726	16,368.68	69.8548	1,143,431
Citibank, NA- USA (USD)	CD	92,033.68	68.9350	6,344,342	23,933.32	68.5625	1,640,929
AB Bank - India (ACU Dollar)	CD	283,098.56	68.9350	19,515,399	1,704.90	68.5625	116,892
ICICI- India (ACU Dollar)	CD	2,574.45	68.9350	177,470	10,747.47	68.5625	736,873
Standard Chartered Bank-UK (GBP)	CD	1,400.00	99.3586	139,102	5,345.00	136.1548	727,747
Hypo Vereins Bank- Germany (EURO)	CD	269,900.79	97.0027	26,181,105	80,578.17	99.4088	8,010,179
HSBC - USA (USD)	CD	2,543,613.70	68.9350	175,344,010	1,933,213.08	68.5625	132,545,922
HSBC - UK (GBP)	CD	87,116.25	99.3586	8,655,749	79,266.35	136.1548	10,792,494
HSBC - Pakistan (ACU Dollar)	CD	227.56	68.9350	15,687	655.71	68.5625	44,957
HSBC - India (ACU Dollar)	CD	155.05	68.9350	10,688	1,564.25	68.5625	107,249
HSBC - Australia (AUD)	CD	5,430.89	47.6647	258,862	7,324.25	60.0539	439,850
Zuercher Kantonal Bank- Switzerland (CHF)	CD	10,082.50	65.1529	656,904	7,952.50	59.6010	473,977
ING NV/SA- Belgium (EURO)	CD	8,611.18	97.0027	835,308	4,000.66	99.4090	397,702
Unicredit Italiano SPA- Italy (EURO)	CD	16,621.16	97.0027	1,612,297	7,050.00	99.4090	700,833
Commerz Bank AG- Germany (EURO)	CD	1,616.40	97.0027	156,795	-	-	-
Standard Chartered Bank - UK (EURO)	CD	-	-	-	2,100.00	99.4090	208,759
Union DE Banques Arabes ET Francaises- Japan (JPY)	CD	1,021,356.00	0.7634	779,703	95,680.00	0.5999	57,398
Westpack Banking Corporation- Australia (AUD)	CD	49,337.79	47.6647	2,351,671	33,761.04	60.0539	2,027,482
<b>Total</b>				<b>269,487,085</b>			<b>170,449,420</b>



## Annexure - D

## BRAC Bank Limited

**Investment in Shares**  
**as at and for the year ended 31 December 2008**

Sl. no.	Name of the company	Type of shares	Face value <u>Taka</u>	No. of shares including bonus shares	Cost of holding <u>Taka</u>	Average cost <u>Taka</u>	Quoted rate per share as at 31.12.2008 <u>Taka</u>	Total market value as at 31.12.2008 <u>Taka</u>
<b><u>Quoted</u></b>								
1	Bank Asia Ltd.	A	100	6,683	230,000	34.42	383.30	2,561,594
2	Mercantile Bank Ltd.	A	100	7,591	270,000	35.57	348.30	2,643,945
<b><u>Unquoted</u></b>								
3	Industrial and Infrastructure Development Finance Co. Ltd.		100	227,700	10,000,000	43.92	-	-
4	Central Depository Bangladesh Ltd.		1,000,000	4	4,000,000	1,000,000.00	-	-
5	STS Holdings Ltd		10	5,000,000	50,000,000	10.00	-	-
			<u>5,241,978</u>		<u>64,500,000</u>			<u>5,205,539</u>

## BRAC Bank Limited

Details of Large Loan  
as at 31 December 2008

	<u>2008</u>	<u>2007</u>
Number of clients	3	2
Amount of outstanding advances (Taka)	1,510,865,877	1,181,991,745
Amount of classified advances (Taka)	NIL	NIL
Measures taken for recovery (Taka)	NIL	NIL

Client-wise break-up is as follows:

Sl. No.	Name of clients	2008			2007		
		Funded	Non Funded	Total	Funded	Non Funded	Total
1	Grameenphone Ltd.	109,472,161	719,597,160	829,069,321	408,555,991	352,638,700	761,194,691
2	TM International (Bangladesh) Limited	87,982	-	87,982	420,797,054	-	420,797,054
3	Summit Uttaranchal Power Company Limited	59,922,179	621,786,395	681,708,574	-	-	-
	<b>Total</b>	<b>169,482,322</b>	<b>1,341,383,555</b>	<b>1,510,865,877</b>	<b>829,353,045</b>	<b>352,638,700</b>	<b>1,181,991,745</b>

## BRAC Bank Limited

Schedule of fixed assets including premises, furniture and fixtures  
as at and for the year ended 31 December 2008

Particulars	Cost			Rate of Dep. (%)	Depreciation and impairment				Written down value as at 31 December 2008
	Balance as at 1 January 2008	Additions during the year	Disposal/ adjustment during the year		Balance as at 31 December 2008	Charged during the year	Disposal/ adjustment during the year	Balance as at 31 December 2008	
<b>Own assets</b>									
Land	-	87,940,465	-	87,940,465	-	-	-	-	87,940,465
Furniture and fixture	270,220,512	206,077,469	(1,649,570)	474,657,411	31,733,891	(677,923)	57,765,231	416,892,180	416,892,180
Office equipments	161,405,055	219,067,945	-	380,473,000	47,793,536	(50,000)	87,239,191	293,233,809	293,233,809
IT equipments	691,167,957	228,451,405	(840,000)	918,779,362	145,672,420	(474,840)	275,846,919	642,932,443	642,932,443
Motor vehicles	17,597,061	23,856,500	(152,960)	41,300,601	5,253,656	(79,848)	10,275,219	31,025,382	31,025,382
	1,140,399,585	765,393,784	(2,642,530)	1,903,150,839	230,453,503	(1,282,611)	431,126,560	1,472,024,279	1,472,024,279
<b>Leased assets</b>									
Furniture and fixture	43,068,868	-	-	43,068,868	2,875,882	-	43,068,868	-	-
Office equipments	13,257,920	-	-	13,257,920	429,867	-	13,257,920	-	-
IT equipments	36,197,151	-	-	36,197,151	1,179,620	-	36,197,151	-	-
Motor vehicles	7,472,700	-	-	7,472,700	-	-	7,472,700	-	-
	99,996,639	-	-	99,996,639	4,485,369	-	99,996,639	-	-
As at 31 December 2008	1,240,396,224	765,393,784	(2,642,530)	2,003,147,478	234,938,872	(1,282,611)	531,123,199	1,472,024,279	1,472,024,279
As at 31 December 2007	557,629,191	685,128,143	(2,361,110)	1,240,396,224	129,673,434	(460,555)	297,466,938	942,929,286	942,929,286

Office equipment includes telephone sets which were depreciated @ 50% instead of 20% on other office equipments.

Leased assets have been depreciated on the basis of lease term.



## BRAC Bank Limited

Statement of outstanding unreconciled entries  
as at and for the year ended 31 December 2008

(Amount in USD)

Sl. No.	Period of unreconciliation	As per local book			As per correspondents' book		
		Debit entries		Credit entries		Debit entries	
		No.	Amount (Taka)	No.	Amount (Taka)	No.	Amount (Taka)
1	Upto 3 months	4	20,174.27	117	401,072.88	468	6,779,576.34
2	More than 3 months but less than 6 months	-	-	15	57,956.26	5	123.52
3	More than 6 months but less than 9 months	-	-	-	-	1	725.25
4	More than 9 months but less than 12 months	-	-	-	-	1	100.00
5	More than 12 months	-	-	-	-	-	-
	<b>Total</b>	<b>4</b>	<b>20,174.27</b>	<b>132</b>	<b>459,029.14</b>	<b>475</b>	<b>6,780,525.11</b>
						<b>242</b>	<b>4,483,667.87</b>