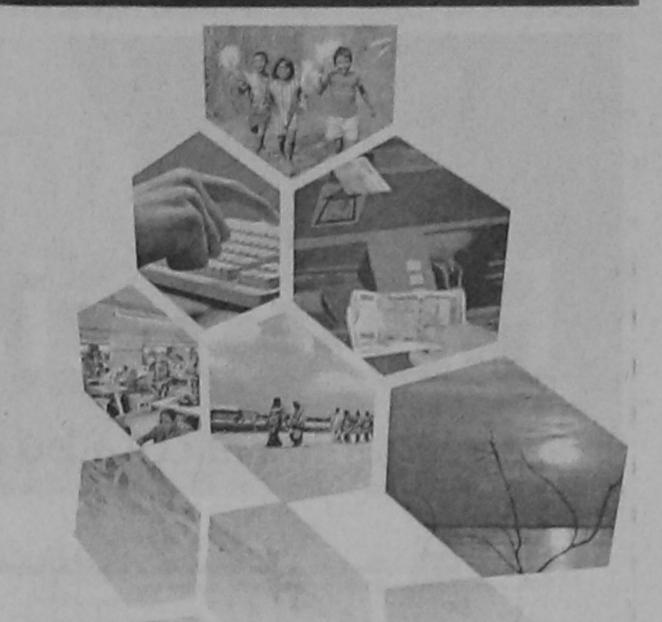
田 Bank Asia

Limited

main Statements 2008

Profit and Loss Account



www.bankasia.com.bd

Auditors' Report and Financial Statements as at and for the year ended 31 December 2008

We have audited the accompanying balance sheet of Bank Asia 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.

The financial statements of the Bank for the year ended 31 December 2007 were audited by S. F. Ahmed & Co., Chartered Accountants who issued an unqualified opinion on 23 March 2008.

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 it's 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:

- 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;
- 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;
- 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;
- the expenditure incurred was for the purposes of the Bank's business;
- the financial position of the Bank as 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;
- 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;
- viii) the financial statements conform to the prescribed standards set in the accounting regulations issued by the Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- ix) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- x) the information and explanations required by us have been received and found satisfactory.

Dhaka, 20 April 2009

Acceptances and endorsements

Documentary credits and short term trade-related

Forward assets purchased and forward deposits placed

Undrawn note issuance and revolving underwriting facilities Undrawn formal standby facilities, credit lines and other

Total Off-Balance Sheet items including contingent liabilities 19.627,928.632 14,067,628,128

As per our report of same date.

This annexed notes 1 to 44 form an integral part of these financial statements.

Letters of guarantee

Bits for collection

irrevocable letters of credit

Other contingent liabilities

Other commitments

Dhaka, 20 April 2009

transactions

Balance S			
		2008	2007
PROPERTY AND ASSETS	Notes	<u>Taka</u>	Taka
			(Restated)
Cash	4		
In hand (including foreign currencies)		279,733,998	219,714,704
Balance with Bangladesh Bank and its agent bank (including foreign currencies)			
(naturally satisfications)		2,688,675,135	1,990,819,634
Balance with other banks and financial institutions	5	2,968,409,133	2,210,534,338
In Bangladesh		1,094,542,411	853,807,924
Outside Bangladesh		310,301,087	278,656,222
		1,404,843,498	1,132,464,146
Money at call and on short notice	6		335,151,342
Investments	7		
Government		5,669,954,393	4,139,006,920
Others		463,859,956	64,128,955
		6,133,814,349	4,203,135,875
Loans and advances/investments	8		
Loans, cash credit, overdrafts etc./investments		36,487,405,727	26,516,246,080
Bills purchased and discounted		3,487,592,908	1,940,698,057
		39,974,998,635	28,456,944,137
Fixed assets including premises, furniture and fixtures	9	644,249,923	498,428,682
Other assets	10	2,244,931,525	1,591,194,574
Non - banking assets Total assets		-	-
TOTAL SESSES		53,371,247,063	38,427,853,094
Liabilities Borrowings from other banks, financial institutions and agents	-11	1,615,750,000	1,554,000,000
Deposits and other accounts	12		
Current/Al-wadeesh current accounts and other accounts		3,364,529,634	1,674,914,383
Bills psyable		603,605,742	537,086,490
Savings bank/Mudaraba savings bank deposits		2,822,379,865	2,247,622,259
Fixed deposits/Mudaraba fixed deposits		35,644,723,745	25,544,465,607
Bearer certificates of deposit		-	-
Other deposits		42,435,238,986	30,004,088,739
		12,109,200,000	50,054,050,755
Other liabilities	13	5,987,300,730	4,231,355,981
Total liabilities		50,038,289,716	35,789,444,721
Capital/shareholders' equity			
Paid up capital	14.2	1,743,750,000	1,395,000,000
Share premium		330	330
Statutory reserve	15	1,099,774,786	818,626,330
Revaluation reserve	16	12,398,929	(32,100,469)
Exchange equalization reserve Retained earnings	-	3,339,553	3,339,553
Total shareholders' equity	17	473,693,749	453,542,629
Total liabilities and shareholders' equity		3,332,957,347	2,638,408,373
and an analysis and an		53,371,247,063	38,427,853,094
		2008	2007
	Notes	Taka	Iaka
OFF-BALANCE SHEET ITEMS			(Restated)
Contingent liabilities	18		
	No.	principal de la company de la	And the second second

5,774,123,763 3,552,424,369

2,527,221,074 1,907,126,382

19,627,928,632 14,067,628,128

19.627,928,632 14,067,628,128

Managing Director (CC)

Rahman Rahman Hug

Chartered Accountants

6,553,533,076

2,049,478,029

5,066,272

8,192,269,064

3,128,753,717

5,561,014

	Notes	ember 2008 2008 Taka	2007 Taka (Restated)
Interest income/profit on investments	20	4,973,111,163	3,662,378,0
Interest paid/profit shared on deposits,	21	(3,739,018,507)	(2,705,032,73
borrowings etc.		1,234,094,656	957,345,3
Net interest income/net profit on investments	22	607,148,807	467,160,95
Investment income	23	850,633,162	700,206,7
Commission, exchange and brokerage	24	200,658,932	129,272,04
Other operating income	4.4	1,658,440,901	1,296,639,73
Total operating income (A)		2,892,535,557	2,253,985,05
Salaries and allowances	25	426,820,636	287,802,87
	26	89,832,577	76,353,60
Rent, taxes, insurance, electricity etc. Legal expenses	27	3,021,038	4,659,53
Postage, stamp, telecommunication etc.	28	29,192,002	25,380,87
		36,713,152	28,472,98
Stationery, printing, advertisements etc.	29	6,450,000	6,151,50
Managing Director's salary and fees Directors' fees	31	592,000	857,40
	31	287,375	250,00
Auditors' fees	22		78,553,07
Depreciation and repair of Bank's assets	32	146,257,188	170,780,41
Other expenses	33	248,481,016	Name and Address of the Owner, where
Total operating expenses (B)		987,656,984	679,262,27
Profit before provision (C=A-B)	7. F	1,904,878,573	1,574,722,77
Provision for loans and advances/investments	34	175 001 003	52,987,71
General provision		175,901,962	
Specific provision		228,805,278	84,500,81
Provision for off-balance sheet items		404,707,240	137,488,52
		94,429,051	70,338,14
Provision for diminution in value of investments		Con Contract	
Other provisions Total provision (D)	L	400 136 201	207 820 00
		499,136,291	207,826,66
Total profit before tax (C-D) Provision for tax		1,405,742,282	1,366,896,11
	13.5.1	700 000 000	704 974 92
		790,000,000	704,871,32
Deletted	13.5.2	(70,961,763)	(63,619,119
Nat are fit after toy		719,038,237 686,704,045	641,252,20
Net profit after tax		000,704,045	725,643,90
Appropriations			
Statutory reserve		281,148,456	273,379,22
General reserve			
		281,148,456	273,379,22
Retained surplus	17	405,555,589	452,264,68
Earnings per share (par value Taka 100)	37	39.38	41.6
The annexed notes 1 to 44 form an integral part	of these	financial statemen	ts.
adente. No Journ 1		The Long	habit
Chairman Director Directo	-	Direktor/	President and

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

Paid us capital Statutory Share Revaluation Euchange Retained Total

Rahman Rahman Hug

Chartered Accountants

Dhaka, 20 April 2009

Particulars

		Itserve	premium	reserve	equalization reserve	senside	ANA
	lea	Issa	Inka	THE .	363	123	Jaka
Balance as at 1 January 2007 Lass: Prior year adjustments:	1,116,000,000	545,247,108	330			285,493,948	1,549,741,386
Oledand income (bonus share) *	1					(R.216,000)	(8,216,000
Restated balance as at 1 January 2007	1,116,000,000	545,247,108	330			280,277,948	1,941,525,386
Statutory resurve		273,379,222				(273,379,222)	
Revaluation reserve	-			(32,100,469)			(32,100,489
lanua of borox share	279,000,000					(279,000,000)	
Exchange equalization reserve		-			3,339,553		3,339,553
Restaled nel profé for the year ***					-	725,643,903	725,643,903
Salance as al 31 December 2007	1,395,000,000	818,626,330	330	(32,100,469)	3,339,553	453,542,629	2,638,408,373
Less: Prior year adjustments:							
Dividend income (bonus share) *	-	200				(4,554,000)	(4,554,000)
Revolution loss **	-			, 12,100,489		(32,190,489)	
Restaled balance as at 1 January 2008	1,395,000,000	\$18,526,330	330		3,339,553	415,688,180	2,633,854,377
Statutory reserve		281,148,458				(281,148,456)	
Revaluation receive.		-		12,394,929			12,398,929
issue of bonus stere	348,750,000	-	-		-	(348,751,000)	
Exchange equalization reserve	1	-	-	-			
Net profit for the year						688,704,045	686,704,045
Balance as it 31 December 2005	1,743,750,000	1,099,774,786	330	12,398,929	3,339,563	473.693.749	1,112,957,347

- account. In the year 2008 this has been corrected and previous year's balance has been restated as
- ** During the year 2007 income on treasury bills and bonds had been recognised as income using day count basis. At the end of 2007 such bills and bonds had been revalued using present value method. Differential amount recognised as revaluation loss has been reversed with opening balance of retained earnings.
- During the year 2007 an amount of Tk 357,535,376 and Tk 110,796,658 on account of specific provision for loans and advances and interest receivable respectively had not been considered for deferred tax calculation purpose. In the year 2008 the items have been considered and previous year's balance has been restated as per BAS 8.
- Deferred tax on temporary difference of depreciation of fixed assets had been calculated using income statement method. In the year 2008 balance sheet method has been used and previous year's balance has been restated as per BAS 8. Depreciation on leased assets had been considered as temporary difference in calculating deferred
- tax although such an item is a permanent difference. In the year 2008 this item has been considered and previous year's balance has been restated as per BAS 8.
- **** The Bank had been presenting proposed dividend "both stock and cash" for prior year separately on the face of the balance sheet and statement of changes in equity instead of disclosing by way of a note to the financial statements. From this year comparative figures have been rearranged as per BAS-1 and BAS-10.

Cash Flow Statement for the year ended 31 December 2008

		Notes	2008 Taka	2007 Teka				
A)	Cash flows from operating activities Interest receipts							
			5,395,782,250	4,124,985,008				
	Interest payments		(2,925,763,855)	(2,705,032,734)				
	Fees and commission receipts		850,059,372	700,206,728				
	Cash payment to employees		(412,975,235)	(293,954,379)				
	Cash payment to suppliers		(34,396,957)	(37,425,636)				
	Income fax paid		(748,527,220)	(363,665,746)				
	Receipts from other operating activities	35	200,658,932	129,272,049				
	Payments for other operating activities Cash generated from operating activities before	36	394,540,871	277,955,961				
	changes in operating assets and liabilities		2,719,378,158	1,832,341,252				
	Increase/(decrease) in operating assets and							
	liabilities:							
	Loans and advances to customers	16 1 233	(11,182,903,156)	(6,201,304,145)				
	Other assets		(925,630,176)	(162,174,618)				
	Deposits from customers		12,423,078,337	4,714,729,362				
	Trading liabilities		61,750,000	1,184,000,000				
	Other liabilities	3336	554,956,105	713,859,156				
			931,251,110	249,109,755				
	Not cash generated from operating activities		3,650,629,288	2,081,451,007				
B)	Cash flows from investing activities							
	Investments of treasury bills and bonds		(1,536,750,108)	14 224 442 500				
	(Purchase)/sale of trading securities	THE PARTY.	(403,386,240)	(1,234,440,590)				
	Purchase of fixed assets	0.00		177,721,888				
	Net cash used in investing activities	With the	(179,004,359)	(24,097,119)				
			(2,119,140,717)	(1,080,815,821)				
C)	Cash flows from financing activities							
	Payment for finance lease		(46,956,104)	(6,013,903)				
	Net cash used in financing activities		(46,956,104)	(6,013,903)				
(0	Net increase in cash and cash equivalents (A+ I	B+C)	1,484,532,447	994,621,283				
E).	Effects of exchange rate changes on cash and cash ed	uvalents		00-,021,200				
7	Cash and cash equivalents at beginning of the	rear	4,235,246,048	3,240,624,765				
3)	Cash and cash equivalents at end of the year (0	+E+F)	5,719,778,495	4,235,246,048				
Cas	h and cash equivalents at end of the year							
rep	resents							
81	th in hand (including foreign currencies)	300	279,733,998	219,714,704				
580	ance with Bangladesh Bank and its egent bank	3-63						
nc.	luding foreign currencies)	-	2,588,675,135	1,990,819,634				
	snoe with other banks and financial institutions	1000	1,404,843,498	1,132,464,148				
	ney at call and on short notice	Date		335,151,342				
100	m tawas		4 500 000					

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

The Bank and its activities

Reporting entity Bank Asia Limited is one of the third generation private commercial banks (PCBs), incorporated in Bangladesh on 28 September 1999 as a public limited company under the Companies Act 1994, and governed by the Bank Companies Act 1991. The Bank went for public issue of its shares on 23 September 2003 and its shares are listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. At present the

Bank has 33 branches and 18 ATM booths. Bank Asia Limited acquired the business of Bank of Nova Scotia (incorporated in Canada), Dhaka, in the year 2001 and at the beginning of the year 2002, the Bank also acquired the Bangladesh operations of Muslim Commercial Bank Limited (MCBL), a bank incorporated in Pakistan, having two branches at Dhaka and Chittagong. In taking over the Bangladesh operations, all assets and certain specific liabilities of MCBL were taken over by Bank Asia Limited at book values.

The registered office of the Bank is located at Tea Board Building (1st floor), 111-113, Motifieel C/A, Dhaka-1000.

1.2 Principal activities

The principal activities of the Bank are to provide all kinds of commercial banking services to its customers through its branches in Bangladesh.

1.3 Islamic banking unit The Bank obtained the Islamic Banking unit permission vide letter no. BRPD(P-3)745(53)/2008-4804 dated 17 December 2008. The Bank commenced operation of this unit from 24 December 2008 and its office is located at House-79A. Road-07. Sector-4, Uttara Model Town, Uttara. The Islamic banking unit is governed under the

rules and regulations of Bangladesh Bank. Distribution of profit on deposit is shown in Annexure-I and separate balance sheet and profit and loss account of Islamic banking unit are shown in Annexure-J and Annexure-K. 1.4 Off-shore banking unit The Bank obtained off-shore banking unit permission vide letter no. BRPD(P-3-)744(94)/2007-1853 dated 21 June 2007. It commenced operation of this unit from 28 January 2008 and its office is located at Zone Service Complex, Chittagong Export Processing Zone, Chittagong. Off-shore banking unit is governed under the rules and

regulations of Bangladesh Bank. Separate balance sheet and profit and loss account of

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 as amended by 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 Rules 1987 and other prevailing

laws and rules applicable in Bangladesh. Basis of measurement The financial statements of the Bank have been prepared on the historical cost basis

off-shore banking unit are shown in Annexure-L and Annexure-M

except for the following: - Government Treasury Bills and Bonds (HFT) at present value using marking to

- Government Treasury Bills and Bonds (HTM) at present value using amortisation

- Zero Coupon Bond at present value using amortisation concept - Quoted ordinary shares at cost or market price whichever is lower at balance sheet

Functional and presentation currency

in any future periods affected.

These financial statements are presented in Bangladesh Taka (Tk), which is the Bank's functional currency. Functional currency for Offshore unit is US dollar. Except as indicated, financial information have been rounded off to the nearest Taka.

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

2.5 Cash flow statement Cash flow statement has been prepared in accordance with the BRPD Circular No. 14, dated 25 June 2003 issued by the Banking Regulation and Policy Department of

Bangladesh bank (The central bank of Bangladesh). 2.6 Statement of liquidity

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

Balance with other banks and financial institutions, money at call and on short notice are on the basis of their maturity terms

Investments are on the basis of their maturity terms Loans and advances/investments are on the basis of their repayment

schedules Fixed assets are on the basis of their useful lives

Other assets are on the basis of their realisation/adjustments

Borrowings from other banks, financial institutions and agents as per their maturity/repayment terms

Deposits and other accounts are on the basis of their maturity terms and

behavioural past trend Other liabilities are on the basis of their payment/ adjustments schedule

Details are shown in Annexure-E. 2.7 Reporting period

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

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statements. Basis of consolidation 3.1

A separate set of records for consolidation of the statement of affairs and profit and loss account of the branches including islamic banking unit and off-shore banking unit are maintained at Head Office of the Bank based on which these financial statements have been prepared. 3.2 Foreign currency

Foreign currency transactions are converted into equivalent Taka currency at the ruling exchange rates on the respective dates of such transactions. Cash and cash equivalents

Cash and cash equivalents includes cash in hand and balances with Bangladesh Bank

and its agent bank, balances with other banks and financial institutions, money at call and on short notice and prize bond.

3.4 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 revalued 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 and other bonds Debentures At cost Un quoted shares (ordinary) Al cost

balance sheet date.

At cost or market value whichever is lower at

Details are shown in Note 7. 3.5 Loans and advances/investments

Quoted shares (ordinary)

a) Loans and advances/investments are stated in the balance sheet on gross basis.

b) Interest on loans and advances is calculated on daily product basis, but charged and accounted for quarterly 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. c) Provision for loans and advances/investments 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/investments are given below.

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

3.6.1 Recognition and measurement Items of fixed assets excluding land are measured at cost less accumulated depreciation and

3.6 Fb

1,184,300

3,679,334,126

accumulated impairment losses. Land is measured at cost. Cost includes expenditure that are directly attributable to the acquisition of asset and bringing to the location and condition necessary for it to be capable of operating in the intended manner.

3.6.2 Subsequent costs

The cost of replacing part of an item of fixed assets is recognised in the carrying amount of the item if if is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

No depreciation is charged on land. Depreciation is charged on straight-line method. In case of acquisition of fixed assets, depreciation is charged in the year of acquisition, whereas depreciation on disposed off fixed assets is charged up to the year prior to the year of disposal. Asset categorywise depreciation rates are as follows:

Category of assets Rate of Building Furniture and fixture Computer and accessories 20%

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

3.7 Other assets Other assets include all other financial assets and include fees and other unrealised income

receivable, advance for operating and capital expenditure and stocks of stationery and stamps.

3.8 Liabilities and provisions

3.9 Capital/shareholders' equity

3.8.1 Borrowings from other banks, financial institutions and agents

Borrowings from other banks, financial institutions and agents include interest-bearing borrowings redeemable at call. These items are brought to financial statements at the gross value of the outstanding balance. Details are shown in Note 11. 3.8.2 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 fixed deposit. These items are brought to financial statements at the gross value of the outstanding balance. Details are shown in Note 12. 3.8.3 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/investments, provision for taxes, interest payable, interest suspense, accrued expenses, obligation under finance lease. 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 13.

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 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 14.2. 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

3.10 Contingent liabilities Any possible obligation that arises form 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

accordance with the DOS circular no. 5 dated 26 May 2008.

the control of the Bank; or Any present obligation that arises form 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.

3.11 Revenue recognition

Interest on loans and advances is calculated on daily product basis, but charged and accounted for on quarterly 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. Profit on Investment (Islamic Banking)

Mark-up on Investment is taken into income account proportionately from profit receivable account. Overdue charge/compensation on classified investments is transferred to profit suspense account instead of income account.

Income on investments is recognised on accrual basis. Investment income includes discount on treasury bills and zero coupon bonds, interest on treasury bonds, debentures and fixed deposit.

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, loan processing. loan syndication and locker facilities etc. Fees and commission income arises on services rendered by the Bank recognised on a realisation basis.

Interest paid on borrowing and other deposits (Conventional banking) Interest paid and other expenses are recognised on accrual basis.

Profit paid on deposits (Islamic Banking)

Profit paid to mudaraba deposits is recognised on accrual basis as per provisional rate. However, the final profit is determined and to be paid to the depositors as per Annexure-L.

3.12 Employee benefits 3.12.1 Provident Fund

Provident fund benefits are given to the staff of the bank in accordance with the approved Provident fund rules. The fund is operated by a Board of Trustees. 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.

3.12.2 Gratuity Fund Gratuity fund benefits are given to the eligible staff of the Bank in accordance with the approved Gratuity fund rules. Gratuity payable is determined on the basis of existing rules and regulations of the Bank. Actuarial valuation is not considered essential since amount payable at the date of balance sheet is recognised and accounted for as at that date based on actual rate.

3.12.3 Superannuation Fund The Bank operates a Superannuation Fund for which provision is made annually covering all its

eligible employees. The Fund is operated by a separate Board of Trustees. 3.12.4 Hospitalisation insurance The Bank operates a health insurance scheme to its confirmed employees and their respective

spouses at rates provided in health insurance coverage policy. 3.13 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 and 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 13.5.1

Deferred tax is recognised using the 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 unrelised 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. 3.14 Leases Upon initial recognition the leased asset is measured at the amount equal to the lower of its fair value and the present value of the minimum lease payment. Subsequent to initial recognition the

asset is accounted for in accordance with the accounting policy applicable to that asset. Earnings per Share (EPS) has been computed by dividing the basic earnings by the weighted

average number of ordinary shares outstanding as at 31 December 2008 as per Bangladesh Accounting Standard (BAS) - 33 "Earnings Per Share". Details are shown in Note 37. This represents earnings for the year attributable to ordinary shareholders. Net profit after tax has been considered as fully attributable to the ordinary shareholders.

Weighted average number of ordinary shares 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 weighted factor is the number of days the specific shares are outstanding as a proportion of the total number of days in the year.

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. Diluted earnings per share No diluted earnings per share is required to be calculated for the year as there was no scope for

Un-reconciled entries in case of inter-branch transactions as at the reporting date are not

dilution during the year under review. 3.16 Reconcillation 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 Annexure-N.