

Bank Asia

LIMITED

Financial Statements 2009



Auditors' Report to the shareholders of Bank Asia Limited

We have audited the accompanying balance sheet of Bank Asia Limited (the "Bank") as at 31 December 2009 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 2009 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:

- 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 2009 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;
- adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- 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;
- the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements; and
- the information and explanations required by us have been received and found satisfactory.

Dhaka, 15 April 2010

Auditors
Rahman Rahim Huq
Chartered Accountants

Balance Sheet as at 31 December 2009

| PROPERTY AND ASSETS | 2009 | | 2008 | |
|--------------------------------------------------------------------------------|-----------------------|-----------------------|------|------|
| | Taka | US\$ | Taka | US\$ |
| Cash | | | | |
| In hand (including foreign currencies) | 473,828,721 | 330,107,498 | | |
| Balance with Bangladesh Bank and its agent bank (including foreign currencies) | 3,286,540,028 | 2,688,675,135 | | |
| | 3,760,368,749 | 3,018,782,633 | | |
| Balance with other banks and financial institutions | | | | |
| In Bangladesh | 1,110,162,272 | 1,094,542,411 | | |
| Outside Bangladesh | 236,272,165 | 310,301,087 | | |
| | 1,346,434,437 | 1,404,843,498 | | |
| Money at call and on short notice | | | | |
| Government | 8,902,784,540 | 5,669,954,393 | | |
| Others | 760,312,998 | 463,859,956 | | |
| | 9,663,097,538 | 6,133,814,349 | | |
| Loans and advances/investments | | | | |
| Loans, cash credit, overdrafts etc./investments | 45,805,969,766 | 36,487,405,727 | | |
| Bills purchased and discounted | 4,461,947,673 | 3,487,592,908 | | |
| | 50,267,917,439 | 39,974,998,635 | | |
| Fixed assets including premises, furniture and fixtures | | | | |
| At cost | 1,018,375,117 | 644,249,923 | | |
| Accumulated depreciation | (2,607,006,696) | (2,194,556,025) | | |
| | (1,588,631,579) | (1,549,306,102) | | |
| Total assets | 68,663,199,976 | 53,371,247,063 | | |
| LIABILITIES AND CAPITAL | | | | |
| Liabilities | | | | |
| Borrowings from other banks, financial institutions and agents | 2,178,448,571 | 1,615,750,000 | | |
| Deposits and other accounts | | | | |
| Current/waddeh current accounts and other accounts | 5,325,633,048 | 3,364,529,634 | | |
| Bills payable | 274,131,925 | 603,605,742 | | |
| Savings bank/mudaraba savings bank deposits | 4,935,720,340 | 2,822,379,865 | | |
| Fixed deposits/mudaraba fixed deposits | 43,847,332,887 | 35,644,723,745 | | |
| Bearer certificates of deposit | - | - | | |
| Other deposits | - | - | | |
| | 54,832,818,230 | 42,435,238,986 | | |
| Statutory reserve | 6,697,788,618 | 5,987,300,730 | | |
| | 63,709,055,419 | 50,038,289,716 | | |
| Other liabilities | | | | |
| Total liabilities | 66,563,199,976 | 53,371,247,063 | | |
| Capital/shareholders' equity | | | | |
| Paid up capital | 2,144,812,500 | 1,743,750,000 | | |
| Share premium | 330 | 330 | | |
| Statutory reserve | 1,557,013,281 | 1,099,774,787 | | |
| Revaluation reserve | 306,401,681 | 12,398,929 | | |
| Exchange equalization reserve | 3,339,553 | 3,339,553 | | |
| Retained earnings | 942,577,212 | 473,693,748 | | |
| | 4,954,144,557 | 3,332,957,347 | | |
| Total liabilities and shareholders' equity | 68,663,199,976 | 53,371,247,063 | | |

OFF-BALANCE SHEET ITEMS

| | 2009 | 2008 |
|-----------------------------------------------------------------------|-----------------------|-----------------------|
| | Taka | Taka |
| Contingent liabilities | | |
| Acceptances and endorsements | 5,970,538,696 | 5,774,123,763 |
| Letters of guarantee | 3,182,997,551 | 2,527,221,074 |
| Irrevocable letters of credit | 15,666,004,305 | 8,192,269,064 |
| Bills for collection | 3,157,281,387 | 3,157,281,387 |
| Other contingent liabilities | 5,561,014 | 5,561,014 |
| | 27,978,822,053 | 19,627,928,632 |
| 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 | - | - |
| | 27,978,822,053 | 19,627,928,632 |
| Total off-balance sheet items including contingent liabilities | 27,978,822,053 | 19,627,928,632 |

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

Chairman Director Director Director President and Managing Director

Auditors Rahman Rahim Huq Chartered Accountants

Dhaka, 15 April 2010

Profit and Loss Account for the year ended 31 December 2009

| | 2009 | 2008 |
|------------------------------------------------------------|----------------------|----------------------|
| | Taka | Taka |
| Interest income/profit on investments | 6,247,494,941 | 4,973,111,164 |
| Interest paid/profit share on deposits and borrowings etc. | (4,498,016,841) | (3,739,016,507) |
| Net interest income/net profit on investments | 1,749,478,100 | 1,234,094,657 |
| Investment income | 1,012,991,711 | 607,148,807 |
| Commission, exchange and brokerage | 1,177,501,692 | 850,633,162 |
| Other operating income | 189,532,123 | 200,658,932 |
| | 2,380,025,526 | 1,688,440,901 |
| Total operating income (A) | 4,129,503,653 | 2,892,535,558 |
| Salaries and allowances | 593,257,191 | 426,820,636 |
| Rent, taxes, insurance, electricity etc. | 119,728,571 | 89,832,577 |
| Legal expenses | 4,528,540 | 3,023,238 |
| Postage, stamp, telecommunication etc. | 32,058,840 | 29,192,002 |
| Stationery, printing, advertisements etc. | 55,612,966 | 36,713,152 |
| Managing Director's salary and fees | 3,451,942 | 6,460,000 |
| Directors' fees | 832,000 | 592,000 |
| Auditors' fees | 365,750 | 287,375 |
| Depreciation and repair of Bank's assets | 172,305,825 | 146,257,188 |
| Other expenses | 530,244,526 | 245,481,017 |
| | 1,512,465,951 | 987,656,985 |
| Total operating expenses (B) | 2,617,037,702 | 1,904,878,573 |
| Profit before provision (C=A-B) | 1,512,465,951 | 987,656,985 |
| Provision for loans and advances/investments | 128,410,294 | 175,901,962 |
| General provision | 119,009,378 | 228,805,278 |
| Specific provision | 247,419,670 | 404,707,240 |
| | 83,425,664 | 94,429,051 |
| Provision for off-balance sheet items | - | - |
| Provision for diminution in value of investments | - | - |
| Other provisions | - | - |
| Total provision (D) | 330,845,234 | 499,136,291 |
| Total profit before tax (C-D) | 1,181,620,717 | 488,520,694 |
| Current | 779,000,000 | 790,000,000 |
| Deferred | 180,000,000 | (70,961,763) |
| | 959,000,000 | 719,038,237 |
| | 1,327,184,458 | 686,704,045 |
| Net profit after tax | 1,327,184,458 | 686,704,045 |
| Statutory reserve | 457,238,494 | 281,148,457 |
| General reserve | 457,238,494 | 281,148,457 |
| | 869,954,954 | 405,555,368 |
| Retained surplus | 869,954,954 | 405,555,368 |
| Earnings per share (per value Taka 100) | 61.88 | 32.02 |

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

Chairman Director Director Director President and Managing Director

Auditors Rahman Rahim Huq Chartered Accountants

Dhaka, 15 April 2010

Statement of Changes in Equity for the year ended 31 December 2009

| Particulars | Paid up capital | | Share premium | Revaluation reserve | Exchange equalization reserve | Retained earnings | Total |
|---------------------------------------|----------------------|----------------------|---------------|---------------------|-------------------------------|----------------------|----------------------|
| | Taka | US\$ | | | | | |
| Balance as at 1 January 2009 | 1,395,000,000 | 818,626,330 | 330 | - | 3,339,553 | 416,888,160 | 2,633,854,373 |
| Statutory reserve | - | 281,148,457 | - | - | - | (281,148,457) | - |
| Revaluation reserve | - | - | - | 12,398,929 | - | (12,398,929) | - |
| Issue of bonus share | 348,750,000 | - | - | - | - | (348,750,000) | - |
| Exchange equalization reserve | - | - | - | - | 686,704,045 | (686,704,045) | - |
| Net profit for the year | - | - | - | - | - | 686,704,045 | 686,704,045 |
| Balance as at 31 December 2009 | 1,743,750,000 | 1,099,774,787 | 330 | 12,398,929 | 3,339,553 | 473,693,748 | 3,332,957,347 |
| Statutory reserve | - | 457,238,494 | - | - | - | (457,238,494) | - |
| Revaluation reserve | - | - | - | 294,002,752 | - | (294,002,752) | - |
| Issue of bonus share | 401,062,500 | - | - | - | - | (401,062,500) | - |
| Exchange equalization reserve | - | - | - | - | 95,158,072 | (95,158,072) | - |
| Net profit for the year | - | - | - | - | - | 686,704,045 | 686,704,045 |
| Balance as at 31 December 2009 | 2,144,812,500 | 1,557,013,281 | 330 | 306,401,681 | 3,339,553 | 1,327,184,458 | 4,954,144,557 |

Cash Flow Statement for the year ended 31 December 2009

| Particulars | 2009 | | 2008 | |
|----------------------------------------------------------------------------------------------------|----------------------|----------------------|------|------|
| | Taka | US\$ | Taka | US\$ |
| A) Cash flows from operating activities | | | | |
| Interest receipts | 6,934,156,015 | 5,395,782,250 | | |
| Interest payments | (4,652,734,927) | (2,925,763,855) | | |
| Fees and commission receipts | 1,177,501,713 | 850,939,372 | | |
| Cash payment to employees | (538,507,737) | (412,975,235) | | |
| Cash payment to suppliers | (623,399,553) | (34,396,957) | | |
| Income tax paid | (748,029,614) | (748,527,220) | | |
| Receipts from other operating activities | 187,130,123 | 200,658,932 | | |
| Payments for other operating activities | (606,486,121) | (394,540,821) | | |
| Cash generated from operating activities before changes in operating assets and liabilities | 1,690,689,847 | 1,930,296,416 | | |
| Increase/(decrease) in operating assets and liabilities: | | | | |
| Loans and advances to customers | (10,292,918,804) | (11,182,903,156) | | |
| Other assets | (16,155,733) | (875,256,676) | | |
| Deposits from customers | 12,397,579,243 | 12,423,078,337 | | |
| Trading liabilities | 562,698,572 | 61,750,000 | | |
| Other liabilities | 95,158,072 | 54,956,105 | | |
| | 2,746,371,350 | 981,624,610 | | |
| Net cash generated from operating activities | 4,437,061,197 | 2,911,921,026 | | |
| B) Cash flows from investing activities | | | | |
| Investments of treasury bills and bonds (Purchase)/sale of trading securities | (2,860,648,176) | (1,536,750,108) | | |
| Purchase of fixed assets | (296,453,042) | (403,386,240) | | |
| Net cash used in investing activities | (515,497,958) | (179,004,369) | | |
| C) Cash flows from financing activities | | | | |
| Payment for finance lease | (81,199,366) | (46,956,104) | | |
| Net cash used in financing activities | (81,199,366) | (46,956,104) | | |
| Net increase in cash and cash equivalents (A + B + C) | 682,362,655 | 748,824,205 | | |
| E) Effects of exchange rate changes on cash and cash equivalents | | | | |
| Cash and cash equivalents at beginning of the year | 4,425,158,331 | 3,679,334,126 | | |
| G) Cash and cash equivalents at end of the year (D+E+F) | 5,108,420,986 | 4,425,158,331 | | |
| Cash and cash equivalents at end of the year represents | | | | |
| Cash in hand (including foreign currencies) | 473,828,721 | 330,107,498 | | |
| Balance with Bangladesh Bank and its agent bank (including foreign currencies) | 3,286,540,028 | 2,688,675,135 | | |
| Balance with other banks and financial institutions | 1,346,434,437 | 1,404,843,498 | | |
| Money at call and on short notice | 1,617,800 | 1,532,200 | | |
| | 5,108,420,986 | 4,425,158,331 | | |

Notes to the Financial Statements as at and for the year ended 31 December 2009

1. 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 41 branches, 30 own ATM booths and 33 shared 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, Motijheel C/A, Dhaka-1000.

2.1 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.

2.2 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. 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-I and Annexure-12.

2.3 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. Operation of this unit commenced 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 financial statements of off-shore banking unit are shown in Annexure-J to J. 3.

2.4 Capital market division
The Bank obtained membership of Dhaka Stock Exchange Limited on 19 June 2008 and commenced its operation from 5 August 2009. The bank also extends margin loan to its customers against their margin for investment in the listed companies. The required margin level is monitored daily and pursuant to established guidelines, customers are required to deposit additional margin to reduce the position, where necessary.

2.5 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