



Bank Asia LIMITED

Financial Statements 2009

3.18 **Implementation of Basel II**
 With the growing complexity of operations and product innovations, financial institutions have progressively become more exposed to a diverse set of risks. The risk menu continues to become larger with each passing day and with the developments in financial markets, those risks include credit risk, market risk and operational risk. The banking has become too complex to be addressed by the simplistic approach of Basel-I. Basel II Accord aims to align banks capital with their basic risk profiles. It is very elaborate and specific in terms of its coverage and details. It exploits effectively the new frontiers of risk management. It seeks to give impetus to the development of a sound risk management system which hopefully will promote a more efficient, equitable and prudent allocation of resources. Both internationally and within Bangladesh, the implementation of Basel II has gripped a lot of interest. Different efforts are underway within the country and across the globe to ensure an effective adoption of this international regularity and supervisory architecture.

Bangladesh Bank has already issued an action plan for implementing a new Capital Adequacy framework in line with Basel II. A Basel II Implementation Committee has been formed in Bank Asia Limited following the specific guidelines of Bangladesh Bank. Emphasis has been given on basic training on Basel II concept focusing on the implementation aspects as well. Bank Asia Limited follows following approaches for calculating RWA as per Basel II guidelines stated in BRPD Circular No. 09 dated 31 December 2008 of Bangladesh Bank - a) Standardized Approach for Credit Risk b) Standardized Approach for Market Risk and c) Basic Indicator Approach for Operational Risk. Bank Asia Limited has effectively implemented Basel II and submitted system generated quarterly report to Bangladesh Bank on timely basis. Details of capital adequacy as per Basel II requirements are shown in Annexure-M.

3.19 **Compliance of Bangladesh Accounting Standard (BAS) and Bangladesh Financial Reporting Standard (BFRS)**

Name of the standards	Ref.	Status
Presentation of Financial Statements	BAS-1	Applied
Inventories	BAS-2	Not Applicable
Statements of cash flows	BAS-7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	BAS-8	Applied
Events after the reporting period	BAS-10	Applied
Construction Contracts	BAS-11	Not Applicable
Income Taxes	BAS-12	Applied
Segment Reporting	BAS-14	Not Applicable
Property, Plant and Equipment	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 Effects of Changes in Foreign Exchange Rates	BAS-21	Applied
Borrowing Costs	BAS-23	Applied
Related Party Disclosures	BAS-24	Applied
Accounting for Investments	BAS-25	Applied
Accounting and reporting by retirement benefit plans	BAS-26	Not Applicable
Consolidated and Separate Financial Statements	BAS-27	Not Applicable
Investments in Associates	BAS-28	Not Applicable
Disclosures in the financial statements of Banks and Similar Financial Institutions	BAS-30	Applied
Interests in Joint Ventures	BAS-31	Not Applicable
Earnings Per Share	BAS-33	Applied
Interim Financial Reporting	BAS-34	Applied
Impairments of Assets	BAS-36	Applied
Provisions, Contingent Liabilities and Contingent Assets	BAS-37	Not Applicable
Intangible Assets	BAS-38	Not Applicable
Investment property	BAS-40	Not Applicable
Agriculture	BAS-41	Not Applicable
First-time adoption of Financial Reporting Standards	BFRS-1	Not applicable
Share based Payment	BFRS-2	Not applicable
Business Combination	BFRS-3	Not applicable
Insurance Contracts	BFRS-4	Not applicable
Non-current Assets Held for Sale and Discontinued Operations	BFRS-5	Not applicable
Exploration for and Evaluation of Mineral Resources	BFRS-6	Not applicable

3.20 **Approval of financial statements**
 The financial statements were approved by the board of directors on 15 April 2010.

	2009	2008
	Taka	Taka
4 Cash		
Conventional and Islamic banking :		
Local currency	465,526,291	323,268,068
Foreign currencies	8,302,430	6,839,430
Off-shore banking unit	473,828,721	330,107,498
	473,828,721	330,107,498

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

4.2 **Balance with Bangladesh Bank and its agent bank**

	2009	2008
	Taka	Taka
Conventional and Islamic banking :		
Balance with Bangladesh Bank		
Local currency (statutory deposit)	3,215,904,427	2,048,283,837
Foreign currencies	12,375,346	594,818,711
Balance with agent bank (Sonali Bank Ltd.)	3,228,279,773	2,643,102,548
Local currency	58,260,255	45,572,587
Foreign currencies	58,260,255	45,572,587
Off-shore banking unit	3,286,540,028	2,688,675,135
	3,760,368,749	3,018,782,633

4.3 **Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR)**

Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (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.

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

4.3.1 Cash Reserve Requirement (CRR):	2009	2008
% of Average Demand and Time Liabilities:		
Required reserve	2,688,225,000	2,144,024,000
Actual reserve maintained	3,065,115,536	2,146,493,999
Surplus	376,890,536	8,439,999

4.3.2 Statutory Liquidity Ratio (SLR):	2009	2008
18% of Average Demand and Time Liabilities including 5% CRR:		
Required reserve (including CRR)	9,677,610,000	7,718,488,000
Actual reserve maintained (including CRR)	12,514,972,768	8,168,493,690
Surplus	2,837,362,768	450,005,690

4.3.3 **Held for Statutory Liquidity Ratio**

	2009	2008
Cash in hand	473,828,721	330,107,498
Balance with Bangladesh Bank as per statement	3,065,115,536	2,106,891,412
Balance with agent bank (Sonali Bank Ltd.) as per statement	3,228,279,773	2,643,102,548
Government securities	805,895,421	4,835,314,880
Other securities	865,889,421	850,607,385
	12,514,972,768	8,168,493,690

5 **Balance with other banks and financial institutions in Bangladesh**

	2009	2008
Conventional and Islamic banking (Note 5.1.1)	1,110,162,272	1,094,542,411
Off-shore banking unit	1,110,162,272	1,094,542,411
Outside Bangladesh		
Conventional and Islamic banking (Note 5.2.1)	228,229,857	301,474,087
Off-shore banking unit	8,027,308	8,827,000
	1,346,434,437	1,404,843,498
5.1 In Bangladesh		
5.1.1 Conventional and Islamic banking		
Current accounts		
Agrani Bank Ltd.	3,089,868	6,106,831
National Bank Ltd.	16,218,507	5,023,332
NCC Bank Ltd.	-	1,650
United Commercial Bank Ltd.	8,255,591	9,092,446
The City Bank Ltd.	3,094,278	17,552,290
Sonali Bank Ltd.	500,000	500,000
Standard Chartered Bank	4,532,631	3,291,209
AB Bank Ltd.	226,141	41,767,758
	35,917,016	41,767,758
Short-term deposit accounts		
Uttara Bank Ltd.	3,185,648	2,930,720
Mercantile Bank Ltd.	20,226	21,655
Jamauna Bank Ltd.	6,031,457	7,084,949
Bank Asia Bangladesh Ltd.	127,150	584,256
Dutch Bangla Bank Ltd.	2,507,354	2,153,073
BRAC Bank Ltd.	7,373,421	-
	14,445,256	12,774,653
Fixed deposit accounts		
With banks		
Industrial and Infrastructure Development Finance Company Ltd.	200,000,000	250,000,000
National Housing Finance and Investments Ltd.	-	100,000,000
Union Capital Ltd.	150,000,000	50,000,000
Phoenix Finance and Investment Company Ltd.	250,000,000	200,000,000
Lanka Bangla Finance Ltd.	150,000,000	100,000,000
Bangladesh Industrial Finance Company Ltd.	-	60,000,000
Oman Bangladesh Lease Finance	30,000,000	-
Bay Leasing & Investment Ltd.	30,000,000	80,000,000
International Leasing and Financial Services Ltd.	250,000,000	200,000,000
	1,060,000,000	1,040,000,000
	1,110,162,272	1,094,542,411

	2009	2008
	Taka	Taka
5.2 Outside Bangladesh		
5.2.1 Conventional and Islamic banking		
Current account		
Interest bearing:		
Standard Chartered Bank, New York	2,136,509	53,070,732
Citibank NA, London	888,865	888,865
Citibank NA, New York	23,423,348	566,851
Citibank NA, London	2,375,876	2,454,979
Maheshbank plc, New York	2,511,509	1,548,954
National Westminster Bank plc, London	8,011,521	3,399,484
Habib Metropolitan Bank Ltd., Karachi	25,415,305	43,182,020
Standard Chartered Bank, Mumbai	12,863,828	25,879,881
	77,510,900	128,481,766
Non-interest bearing:		
AB Bank Ltd., Mumbai	23,856,508	27,675,435
American Express Bank Ltd., New York	-	1,218,008
Credit Suisse First Boston, Zurich	191,435	68,323
Bank of Nova Scotia, Toronto	1,452,814	323,633
Commerzbank AG, Frankfurt	8,761,724	545,652
Habib Metropolitan Bank Ltd., Karachi	30,285,860	8,406,504
Hypo Vereinsbank, Munich	687,002	147,646
HSCB, New York	3,810,176	26,876,849
HSCB Australia Ltd., Sydney	232,119	270,921
ICI Bank Ltd., Mumbai	5,233,036	74,064,732
Bhutan National Bank Ltd., Thimphu	6,966,750	8,428,000
Muslim Commercial Bank Ltd., Colombo	753,409	2,723,542
Muslim Commercial Bank Ltd., Karachi	1,780,009	9,724,806
Nepal Commercial Bank Ltd., Kathmandu	17,423,638	8,639,422
Wachovia Bank NA, New York	37,715,416	2,816,621
UBAF, Tokyo	2,451,586	1,066,227
ICI Bank Ltd., Kowloon	9,147,475	-
	150,718,957	175,993,321
	228,229,857	301,474,087

Details are shown in Annexure-C

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

	2009	2008
	Taka	Taka
Up to 1 month	286,434,437	364,843,498
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 6 months	-	-
More than 6 months but not more than 1 year	1,060,000,000	1,040,000,000
More than 1 year but not more than 5 years	-	-
	1,346,434,437	1,404,843,498
6 Money at call and on short notice		
Banking company	-	-
Non-banking financial institutions	-	-
7 Investments		
Government (Note 7.1)	8,902,784,540	5,669,954,393
Others (Note 7.2)	760,317,998	463,859,956
	9,663,097,538	6,133,814,349
7.1 Government (Note 7.1)		
Conventional and Islamic banking (Note 7.1.1)	8,902,784,540	5,669,954,393
Off-shore banking unit	-	-
	8,902,784,540	5,669,954,393
7.1.1 Conventional and Islamic banking		
Treasury bills (Note 7.1.1.1)	297,299,224	497,990,634
Treasury bonds (Note 7.1.1.2)	8,603,867,516	5,170,431,559
Prize bond	1,617,800	1,532,200
	8,902,784,540	5,669,954,393
7.1.1.1 Treasury bills		
364 days treasury bills	297,299,224	497,990,634
2 years Treasury bills	-	-
7.1.1.2 Treasury bonds		
3 years T & T digital treasury bonds	456,812,584	454,022,275
3 years T & T mobile treasury bonds	392,459,037	379,085,110
5 years Bangladesh Government treasury bonds	4,394,578,959	2,314,833,222
10 years Bangladesh Government treasury bonds	3,068,616,936	1,731,088,952
15 years Bangladesh Government treasury bonds	291,400,000	291,400,000
	8,603,867,516	5,170,431,559
7.2 Others		
Conventional and Islamic banking (Note 7.2.1)	760,317,998	463,859,956
Off-shore banking unit	-	-
	760,317,998	463,859,956
7.2.1 Conventional and Islamic banking		
Ordinary shares (Details are shown in Annexure-D)		
Quoted		
IFIC Bank Limited	250,000,000	250,000,000
Unquoted		
Industrial and Infrastructure Development Finance Company Ltd.	10,000,000	10,000,000
Central Depository Bangladesh Limited (CDL)	2,000,000	2,000,000
Ena-Infotech Ltd.	382,700	382,700
Nepal Commercial Bank Ltd.	250,227,683	-
Dun and Bradstreet Rating Agency	2,499,500	-
	265,110,883	12,383,700
	515,112,883	262,385,700
Debentures		
Debentures (10 years):		
Beximco Denims Ltd.	15,327,628	15,327,628
Beximco Textiles Ltd.	12,890,744	15,327,628
Zero Coupon Bond (ACI)	48,662,743	-
	76,881,115	30,655,256
Debentures of House Building Finance Corporation	15,000,000	17,500,000
Membership		
Dhaka Stock Exchange Ltd.	153,319,000	153,319,000
	760,317,998	463,859,956

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