PUBALI BANK LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

AUDITORS' REPORT TO THE SHAREHOLDERS OF PUBALI BANK LIMITED

We have audited the accompanying consolidated financial statements of Pubali Bank Limited (PBL) which comprises the balance sheet as at 31 December 2011 and the income statement, statement of changes in equity, liquidity statement and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS), Bank Companies Act 1991, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Exchanges Rules 1987 and other applicable laws and regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether these financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Financial Statements prepared in accordance with Bangladesh Financial Reporting Standards, give a true and fair view of the state of the bank's affairs as on 31 December 2011 and the results of its operations and its cash flows for the period 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 Exchanges Rules 1987 and other applicable laws and regulations.

Further to our opinion in the above paragraph, we state that:

(i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;

(ii) in our opinion, proper books of account as required by law have been kept by PBL so far as it appeared from our examination of those books and proper returns adequate for the purpose of our audit have been received from branches not visited by us;

(iii) the PBL's Balance Sheet and Profit and Loss Account together with the annexed notes 1 to 44(a) dealt with by the report are in agreement with the books of account and returns;

(iv) the expenditures incurred was for the purpose of the PBL's business;

(v) the financial position of PBL as on 31 December 2011 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) 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;

(viii) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;

(ix) adequate provisions have been made for advances and other assets which are, in our opinion, doubtful of recovery;

(x) the information and explanations required by us have been received and found satisfactory;

(xi) 80% of the risk- weighted assets have been audited; and

(xii) we have spent approximately 3,120 man hours for the audit of books and accounts of the Bank.

S. F. AHMED & CO
Chartered Accountants
Dhaka, 23 February 2012

HODA VASI CHOWDHURY & CO
Chartered Accountants

Consolidated Balance Sheet as at 31 December 2011

		Note	2011 Taka	2010 Taka
IAS 1(38 & 39)	**Property and Assets**			
IAS 1.54 (i), 7.7	**Cash**	3(a)	**11,745,566,681**	**10,237,049,692**
	In hand (Including foreign currencies)		2,376,585,174	2,420,920,513
	Balance with Bangladesh Bank and its agent Bank (s) (Including foreign currencies)		9,368,981,507	7,816,129,179
IAS 1.54 (d)	**Balance with Other Banks and Financial Institutions**	4(a)	**1,708,124,795**	**884,266,695**
	Inside Bangladesh		867,100,857	697,769,357
	Outside Bangladesh		841,023,938	186,497,338
IAS 1.54 (i)	**Money at call on short notice**	5	**2,359,286,667**	**119,486,667**
IAS 1.54 (b)	**Investments**	6(a)	**22,333,487,378**	**16,516,388,559**
	Government		17,593,246,861	10,807,104,227
	Others		4,740,240,517	5,709,284,332
IAS 1.54(h)	**Loans and advances**	7(a)	**104,650,385,765**	**89,106,206,559**
	Loans, Cash Credits, Overdrafts, etc.		103,233,361,308	88,094,724,058
	Bills purchased & discounted		1,417,024,457	1,011,482,501
IAS 1.54 (a)	**Fixed assets including premises, furniture & fixtures**	8(a)	**3,376,927,531**	**3,330,313,913**
IAS 1.55 , 1.57 (a)	**Other assets**	9(a)	**11,117,067,189**	**8,268,564,336**
IAS 1.55 , 1.57 (a)	**Non-banking assets**	10	**375,246**	**375,246**
	Total Assets		**157,291,221,252**	**128,462,651,667**
	Liabilities and Capital			
	Liabilities			
IAS 1.54 (k)	**Borrowing from other banks, financial institutions & agents:**	11	**459,675,752**	**3,288,185,245**
IAS 1.54 (m)	**Deposits and other accounts**	12	**123,805,967,767**	**98,850,499,250**
	Current deposits & other accounts		14,300,242,206	16,594,357,070
	Bills Payable		2,926,175,470	2,492,007,347
	Savings bank deposits		36,272,413,131	33,709,387,745
	Term deposits		66,380,111,946	42,560,730,705
	Other deposits		3,927,025,014	3,494,016,383
IAS 1.55 , 1.57 (a)	**Other Liabilities**	13(a)	**16,616,703,880**	**11,944,099,627**
	Total Liabilities		**140,882,347,399**	**114,082,784,122**
	Capital / Shareholders' Equity			
IAS 1.54 (r), 1.78 (e)	Paid up Capital	14.2	6,707,610,000	4,968,600,000
IAS 1.54 (r), 1.78(e)	Statutory Reserve	15	5,230,776,439	4,148,732,309
IAS 1.85	Retained earnings	16(a)	1,536,313,276	2,340,891,675
	Proposed issue of bonus shares		-	-
	Other Reserves	17	2,933,128,705	2,921,643,561
	Profit and Loss account surplus	18(a)	-	-
	Foreign currency translation reserve		1,044,835	-
			16,408,873,255	14,379,867,545
	Non-Controlling Interest	19	598	-
	Total Shareholders' Equity		**16,408,873,853**	**14,379,867,545**
	Total Liabilities and Shareholders' Equity		**157,291,221,252**	**128,462,651,667**
IAS 1.55,	**Off-balance sheet items**			
IAS 37.28, 37.86	**Contingent liabilities**			
	Acceptances & Endorsements			
	Letters of guarantee	20	4,084,595,704	4,184,964,364
	Irrevocable letters of credit		28,021,057,981	21,558,428,949
	Bills for collection		559,665,835	661,233,151
	Other Contingent Liabilities		950,956,000	1,331,180,000
	Total Contingent liabilities		**33,616,275,520**	**27,735,806,464**
	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		-	-
	Total other commitments		-	-
	Total Off-Balance Sheet items Including Contingent Liabilities		**33,616,275,520**	**27,735,806,464**

The annexed notes form an integral part of these accounts

Helal Ahmed Chowdhury Managing Director
Syed Moazzem Hussain Director
Monzurur Rahman Director
Hafiz Ahmed Mazumder Chairman

Signed as per annexed report on even date

S. F. AHMED & CO
Chartered Accountants
Dhaka, 23 February 2012

HODA VASI CHOWDHURY & CO
Chartered Accountants

Consolidated Profit and Loss Account

for the year ended 31 December 2011

		Note	2011 Taka	2010 Taka
IAS 1(38 & 39)	**Operating Income**			
IFRS 7.20(b)	Interest Income	21(a)	12,107,430,986	9,003,507,661
IFRS 7.20(b)	Interest paid on Deposits, Borrowings, etc.	22(a)	5,836,121,980	3,790,183,811
IAS 1.85	**Net Interest Income**		**6,271,309,006**	**5,213,323,850**
IFRS 7.20(b)	Investment Income	23(a)	1,301,172,300	2,137,210,748
IFRS 7.20(c)	Commission, Exchange and Brokerage	24(a)	1,583,275,150	1,385,835,411
IAS 1.85	Other Operating Income	25(a)	350,373,795	301,973,310
IAS 1.85	**Total Operating Income**		**9,506,130,251**	**9,038,343,319**
	Operating Expenses			
IAS 1.104	Salaries and allowances	26(a)	2,345,567,872	2,053,455,763
IAS 1.97	Rent, taxes, insurance, electricity, etc.	27(a)	258,397,398	225,814,377
IAS 1.97	Legal Expenses	28(a)	9,252,932	10,278,757
IAS 1.97	Postage, Stamp, telecommunication, etc.	29(a)	80,387,253	54,827,069
IAS 1.97	Stationery, Printing, Advertisements, etc.	30(a)	108,593,021	98,398,557
IAS 1.97	Managing Director's salary and Fees	31	9,550,000	9,100,000
IAS 1.97	Directors' Fees	32(a)	5,568,073	5,136,241
	Charges on loan losses		2,831,387	11,383,009
IAS 1.97	Auditors' Fees	33	600,000	600,000
IAS 1.104	Depreciation and Repair of Bank's Assets	34(a)	192,429,179	152,590,911
IAS 1.97	Other Expenses	35(a)	1,009,012,245	931,708,174
IAS 1.85	**Total Operating Expenses**		**4,022,189,360**	**3,553,292,858**
IAS 1.85	**Profit before Provisions**		**5,483,940,891**	**5,485,050,461**
	Provision for Classified loans and advances		-	-
	Provision for unclassified loans and advances		-	270,000,000
	Provision for diminution in value of Investments	36(a)	878,114,290	165,000,000
IAS 1.97	Provision for exposure of off-balance sheet items	37	70,000,000	70,000,000
	Total Provisions		**948,114,290**	**505,000,000**
IAS 1.85	**Profit before tax**		**4,535,826,601**	**4,980,050,461**
	Provision for current tax	13.5	2,225,000,000	1,696,676,696
	Provision for deferred tax	13.5.1	45,000,000	50,280,985
	Total provision for taxes		**2,270,000,000**	**1,746,957,681**
IAS 1.82 (f)	**Net Profit after Taxes**		**2,265,826,601**	**3,233,092,780**
	Profit attributable to:			
	Equity holders of parent		**2,265,827,303**	**3,233,092,780**
	Non-controlling Interest		**(702)**	**-**
	Total Attributions		**2,265,826,601**	**3,233,092,780**
IAS 1.85	**Appropriations :**			
IAS 1.54 (r), 1.78(e)	Statutory Reserve		907,165,320	996,010,092
IAS 1.85	Retained surplus (general reserve) carried forward		1,358,661,281	2,237,082,688
IAS 33.66	**Earning per share (EPS)**	44(a)	**3.38**	**4.82**

Helal Ahmed Chowdhury Managing Director
Syed Moazzem Hussain Director
Monzurur Rahman Director
Hafiz Ahmed Mazumder Chairman

Signed as per annexed report on even date

S. F. AHMED & CO
Chartered Accountants
Dhaka, 23 February 2012

HODA VASI CHOWDHURY & CO
Chartered Accountants

Consolidated Cash Flow Statement

for the year ended 31 December 2011

		Note	2011 Taka	2010 Taka
IAS 1(38& 39)				
IAS 7.10	**a Cash flows from operating activities**			
IAS 7.31	Interest receipts in cash		13,290,693,644	11,043,052,874
IAS 7.31	Interest payments		(5,836,121,980)	(3,790,183,811)
IAS 7.31	Dividend receipts		82,479,828	97,665,535
IAS 7.14 (b)	Fees and commission receipts		945,031,534	881,305,336
	Recoveries of loans previously written off		30,287	82,672
IAS 7.14 (d)	Cash payment to employees		(2,355,117,872)	(2,062,555,763)
	Cash payment to suppliers		(196,851,559)	(164,104,383)
	Current income tax paid		(1,788,575,008)	(1,401,197,054)
IAS 7.14 (b)	Receipts from other operating activities	38(a)	1,024,049,264	806,420,713
IAS 7.14 (b)	Cash payments for other operating activities	39(a)	(1,311,826,020)	(1,206,038,683)
	Operating profit before changes in operating assets & liabilities		**3,853,792,118**	**4,204,447,436**
	Increase/(decrease) in operating assets & liabilities:			
	Statutory deposits		(6,798,500,325)	(1,502,728,224)
	Purchase/sale of trading securities		(617,756,106)	(2,850,026,334)
	Loans and advances to customers (other than banks)		(17,744,129,785)	(14,902,875,255)
	Other assets	40(a)	(1,060,271,400)	986,699,783
	Deposits to/from other banks		(2,828,509,493)	2,860,734,430
	Deposits from customers (other than banks)		24,955,468,518	10,384,039,464
	Other liabilities account of customers		1,306,116,314	544,162,366
	FC translation reserve		1,044,835	-
	Other liabilities	41(a)	2,347,814,714	(28,459,813)
	Increase (decrease) in operating assets and liabilities:		**(438,722,728)**	**(4,508,453,583)**
	Net cash received from operating activities		**3,415,069,390**	**(304,006,147)**
	b Cash flows from investing activities			
	Proceeds from sale of securities		-	-
IAS 7.23	Purchase /Sale of property, plant & equipment		(205,108,357)	(113,475,391)
	Membership at cost		(16,000,000)	-
	Sale proceeds of Fixed assets		-	-
	Net cash used in investing activities		**(221,108,357)**	**(113,475,391)**
IAS 7.10	**c Cash flows from financing activities**			
	Payment for redemption of loan capital and debt securities		11,485,144	(65,310,126)
	Issue of share capital		1,617,801,221	-
IAS 7.31	Dividend Paid		(248,430,000)	(191,100,000)
	Net cash used from financing activities		**1,380,856,365**	**(256,410,126)**
	d Net increase (decrease) in cash and cash equivalents (a+b+c)		**4,574,817,398**	**(673,891,664)**
	e Cash and cash equivalents at the beginning of the year		**11,256,303,146**	**11,930,194,810**
	f Cash and cash equivalents at the end of the year (d+e)	42(a)	**15,831,120,544**	**11,256,303,146**

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

Helal Ahmed Chowdhury Managing Director
Syed Moazzem Hussain Director
Monzurur Rahman Director
Hafiz Ahmed Mazumder Chairman

Dhaka, 23 February 2012

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

Figures in Taka

Particulars	Paid-up capital	Statutory reserve	Retained earnings (general reserve)	FC translation reserve	Other reserves	Proposed dividend	Parent's equity	Non-controlling interest	
Share of accumulated Loss/ loss of Subsidiary	-	-	-	-	-	-	-	(702)	(702)
IAS 1.106 (a) Net profit for the year	-	-	1,182,861,601	-	-	-	1,182,861,601	-	1,182,861,601
IAS 1.106 (d) Transfer to statutory reserve	-	1,082,044,130	-	-	-	-	1,082,044,130	-	1,082,044,130
IAS 1.106 (d) Issue of bonus shares - 2010	1,739,010,000	-	(1,739,010,000)	-	-	-	-	-	-
Proposed dividend (bonus issue)	-	-	-	-	-	-	-	-	-
Dividends (cash) for 2010	-	-	(248,430,000)	-	-	-	(248,430,000)	-	(248,430,000)
Balance at 31 December 2011	6,707,610,000	5,230,776,439	1,536,313,276	1,044,835	2,933,128,705	-	16,408,873,255	598	16,408,873,853
For the year 2010									
Balance at 1 January 2010	3,822,000,000	3,152,722,217	1,369,468,957	-	1,165,059,717	-	9,509,250,891	-	9,509,250,891
Changes in accounting policy	-	-	-	-	-	-	-	-	-
Restated balance	3,822,000,000	3,152,722,217	1,369,468,957	-	1,165,059,717	-	9,509,250,891	-	9,509,250,891
IFRIC 1.6(a) Surplus/deficit on account of revaluation of properties	-	-	-	-	1,776,010,154	-	1,776,010,154	-	1,776,010,154
IFRIC 1.6(a) Surplus/deficit on account of revaluation of investments	-	-	-	-	(19,426,310)	-	(19,426,310)	-	(19,426,310)
Currency translation differences	-	-	-	-	-	-	-	-	-
Net gains and losses not recognised in the Profit and Loss Statement	-	-	-	-	-	-	-	-	-
Surplus/deficit on sale of properties	-	-	72,040,030	-	-	-	72,040,030	-	72,040,030
IAS 1.106 (a) Net profit for the year	-	-	2,237,082,688	-	-	-	2,237,082,688	-	2,237,082,688
IAS 1.106 (d) Transfer to statutory reserve	-	996,010,092	-	-	-	-	996,010,092	-	996,010,092
IAS 1.106 (d) Issue of bonus shares - 2009	1,146,600,000	-	(1,146,600,000)	-	-	-	-	-	-
Proposed dividend (bonus issue)	-	-	-	-	-	-	-	-	-
Dividends	-	-	(191,100,000)	-	-	-	(191,100,000)	-	(191,100,000)
Balance at 31 December 2010	4,968,600,000	4,148,732,309	2,340,891,675	-	2,921,643,561	-	14,379,867,545	-	14,379,867,545

Helal Ahmed Chowdhury Managing Director
Syed Moazzem Hussain Director
Monzurur Rahman Director
Hafiz Ahmed Mazumder Chairman

Dhaka, 23 February 2012

Balance Sheet

as at 31 December 2011

		Note	2011 Taka	2010 Taka
IAS 1(38 & 39)	**Property and Assets**			
IAS 1.54 (i), 7.7	**Cash**	3	**11,745,563,519**	**10,237,049,692**
	In hand (Including foreign currencies)		2,376,582,012	2,420,920,513
	Balance with Bangladesh Bank and its agent Bank (s) (Including foreign currencies)		9,368,981,507	7,816,129,179
IAS 1.54 (d)	**Balance with Other Banks and Financial Institutions**	4	**1,592,112,403**	**884,266,695**
	Inside Bangladesh		769,148,850	697,769,357
	Outside Bangladesh		822,963,553	186,497,338
IAS 1.54 (i)	**Money at Call on Short notice**	5	**2,359,286,667**	**119,486,667**
IAS 1.54 (b)	**Investments**	6	**19,069,272,020**	**16,516,388,559**
	Government		17,593,246,861	10,807,104,227
	Others		1,476,025,159	5,709,284,332
IAS 1.54(h)	**Loans and Advances**	7	**106,329,633,065**	**89,106,206,559**
	Loans, Cash Credits, Overdrafts, etc.		104,912,608,608	88,094,724,058
	Bills purchased & discounted		1,417,024,457	1,011,482,501
IAS 1.54 (a)	**Fixed assets including premises, furniture & fixtures**	8	**3,369,192,860**	**3,330,313,913**
IAS 1.55, 1.57 (a)	**Other assets**	9	**12,688,274,133**	**8,268,564,336**
IAS 1.55, 1.57 (a)	**Non-banking assets**	10	**375,246**	**375,246**
	Total Assets		**157,153,709,913**	**128,462,651,667**
	Liabilities and Capital			
	Liabilities			
IAS 1.54 (k)	**Borrowing from other banks, financial institutions & agents**	11	**459,675,752**	**3,288,185,245**
IAS 1.54 (m)	**Deposits and other accounts**	12	**123,805,967,767**	**98,850,499,250**
	Current accounts & other accounts		14,300,242,206	16,594,357,070
	Bills Payable		2,926,175,470	2,492,007,347
	Savings bank deposits		36,272,413,131	33,709,387,745
	Term deposits		66,380,111,946	42,560,730,705
	Other deposits		3,927,025,014	3,494,016,383
IAS 1.55 , 1.57 (a)	**Other Liabilities**	13	**15,604,923,055**	**11,944,099,627**
	Total Liabilities		**139,870,566,574**	**114,082,784,122**
	Capital / Shareholders' Equity			
IAS 1.54 (r), 1.78 (e)	Paid up capital	14	6,707,610,000	4,968,600,000
IAS 1.54 (r), 1.78(e)	Statutory reserve	15	5,230,776,439	4,148,732,309
IAS 1.85	Retained earnings	16	2,411,628,195	2,340,891,675
	Proposed issue of bonus shares		-	-
	Other Reserves	17	2,933,128,705	2,921,643,561
	Profit and Loss account surplus	18	-	-
	Total Shareholders' Equity		**17,283,143,339**	**14,379,867,545**
	Total Liabilities and Shareholders' Equity		**157,153,709,913**	**128,462,651,667**
IAS 1.55, IAS 37.28, 37.86	**Off-balance sheet items**			
	Contingent liabilities			
	Acceptances & Endorsements			
	Letters of guarantee	20	4,084,595,704	4,184,964,364
	Irrevocable letters of credit		28,021,057,981	21,558,428,949
	Bills for collection		559,665,835	661,233,151
	Other Contingent Liabilities		950,956,000	1,331,180,000
	Total Contingent liabilities		**33,616,275,520**	**27,735,806,464**
	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		-	-
	Total other commitments		-	-
	Total Off-Balance Sheet items including Contingent Liabilities		**33,616,275,520**	**27,735,806,464**

The annexed notes form an integral part of these accounts

Helal Ahmed Chowdhury Managing Director
Syed Moazzem Hussain Director
Monzurur Rahman Director
Hafiz Ahmed Mazumder Chairman

Signed as per annexed report on even date

S. F. AHMED & CO
Chartered Accountants
Dhaka, 23 February 2012

HODA VASI CHOWDHURY & CO
Chartered Accountants