

AB Bank Limited & its Subsidiaries

Financial Statements 2015

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Statement of Changes in Equity

For the year ended 31 December 2015

Particulars	Paid-up capital	Statutory reserve	General reserve	Assets revaluation reserve	Investment revaluation reserve	Retained earnings	Total Equity
Balance at 01 January 2015	5,324,591,520	5,582,440,229	42,199,200	1,323,567,486	272,492,469	5,611,822,670	18,157,113,573
Adjustment	-	-	-	-	-	-	-
Deferred Tax income	-	-	-	-	-	1,156,529,394	1,156,529,394
Bonus for 2014:	-	-	-	-	-	-	-
12.50% Stock Dividend	665,573,940	-	-	-	-	665,573,940	665,573,940
Restated Opening Balance	5,990,165,460	5,582,440,229	42,199,200	1,323,567,486	272,492,469	6,102,778,123	19,313,642,967
Net profit after taxation for the year	-	-	-	-	-	1,270,414,868	1,270,414,868
Transferred during the year	-	-	-	-	-	18,032,304	18,032,304
Additional (Adjustment) made during the year	-	-	-	-	-	538,772,901	538,772,901
Foreign Exchange Rate Fluctuation	-	-	-	-	-	(21,505,472)	(21,505,472)
Balance at 31 December 2015	5,990,165,460	5,582,440,229	42,199,200	1,323,567,486	272,492,469	6,830,946,921	22,792,225,345
Balance at 31 December 2014	5,324,591,520	5,582,440,229	42,199,200	1,323,567,486	272,492,469	6,768,352,063	19,313,642,967

Liquidity Statement

Analysis of Maturity of Assets and Liabilities

As at 31 December 2015

Particulars	Up to 1 month's maturity	1-3 months' maturity	3-12 months' maturity	1-5 years' maturity	More than 5 years' maturity	Total
Assets	2,422,250,656	900,000,000	40,000,000	14,611,033,691	17,033,284,356	17,033,284,356
Cash in hand & with banks	3,713,033,257	923,096,103	4,000,000	4,711,033,257	4,711,033,257	4,711,033,257
Balance with other banks and financial institutions	923,096,103	2,765,638,140	24,588,763	5,284,337,005	5,284,337,005	5,284,337,005
Money at Call & Short Notice	192,689,203	639,832,263	5,029,263,131	33,175,672,479	33,175,672,479	33,175,672,479
Investments	24,762,803,913	64,728,916,379	83,825,522,664	309,275,203,267	309,275,203,267	309,275,203,267
Loans & Advances	2,132,232,314	892,176,327	1,282,235,566	4,200,872,767	4,200,872,767	4,200,872,767
Fixed assets including premises, furniture and fixture	-	-	-	5,752,659,905	5,752,659,905	5,752,659,905
Other assets	-	-	-	830,370,466	830,370,466	830,370,466
Non-banking assets	-	-	-	-	-	-
Liabilities	34,206,075,956	69,927,565,109	91,010,653,144	44,857,651,361	44,915,309,150	285,010,254,719
Borrowing from Bangladesh Bank, other banks, financial institutions and agents	9,681,770,053	12,574,651,595	828,385,028	2,398,517,459	30,193,344,309	30,193,344,309
Deposits and other accounts	20,064,590,066	56,146,544,620	77,983,665,999	54,572,155,889	313,818,906,499	313,818,906,499
Provision and other liabilities	532,715,211	442,205,689	5,315,389,163	2,057,046,586	18,205,779,567	18,205,779,567
Total Liabilities	33,281,075,792	69,163,402,913	84,312,729,189	44,856,644,045	40,599,743,105	262,138,029,574
Net Liquidity Excess (shortage)	925,500,174	703,962,196	6,974,923,955	40,599,743,105	22,792,225,345	22,792,225,345

Notes to the Financial Statements

For the year ended 31 December 2015

1.1 The Bank and its activities

AB Bank Limited (the Bank) is one of the first generation Private Commercial Banks (PCBs) incorporated in Bangladesh on 31 December 1981 as a public limited company under the Companies Act 1913, subsequently replaced by the Companies Act 1994, and is governed by the Bank Company Act, 1991 (Amendment up to 2013). The Bank went for public issue of its shares on 28 December 1983 and its shares are listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. AB Bank Limited has 101 Branches including one (1) Islami Banking Branch and one (1) Overseas Branch in Mumbai, India. The Bank has six subsidiary companies namely AB Investment Limited, AB Securities Limited, Cashlink Bangladesh Limited, Arab Bangladesh Bank Foundation all incorporated in Bangladesh, AB International Finance Limited, incorporated in Hong Kong and AB Exchange (UK) Limited, incorporated in United Kingdom.

AB Investment Limited (ABIL) and AB Securities Limited (ABSL) were incorporated as subsidiary companies after obtaining the approval from Bangladesh Bank following guidelines of the Bangladesh Securities and Exchange Commission (BSEC). These two subsidiaries are being put into operations to cater the merchant banking and brokerage business which were previously carried out by the Bank itself.

The Bank through its Branches and non-banking subsidiaries provides a diverse range of financial services and products in Bangladesh and in certain international markets. The Bank has expanded its capital market oriented service horizon to its customers through AB Investment Limited. The Bank obtained permission from BSEC to embark upon merchant banking vide its certificate no. MB-1.02/2001-30 dated 15 May 2001 under the Securities and Exchange Commission Act 1993. Subsequently, the Bank has formed a subsidiary company named AB Investment Limited in accordance with the approval of Bangladesh Bank vide letter no. BRPD(R-1)717/2009-538 dated 09 December 2009 and the Bangladesh Securities and Exchange Commission vide letter no. Sec/Reg/MB-79/2010/73 dated 10 March 2010 for dealing the Merchant Banking business.

Brokerage business of Arab Bangladesh Bank Foundation (ABBF) was transferred on 01 August 2010 to AB Securities Limited (ABSL) vide Bangladesh Bank approval letter BRPD(R-1)717/2009-493 dated 08 November 2009.

AB Bank Limited started its Islami Banking Operation through its Dilkusha Islami Banking Branch, Dhaka on 23 December 2008 following the approval of Bangladesh Bank vide letter no. BRPD (R) 745 (12)/2004-2702 dated 08 July 2004. Subsequently the Branch was shifted to Kalkata, Dhaka on 18 October 2006.

The Bank obtained permission to work as a security custodian from the Bangladesh Securities and Exchange Commission vide its certificate no. SC-05/2007 dated 22 January 2007 under the Securities and Exchange Commission (Securities Custodian Service) Rules 2003.

In the year 2009, the Bank obtained permission to operate Off Shore Banking Unit (OSBU) vide letter # BRPD (P-3)744/(106)/2009-4486 dated 06 December 2009 of Bangladesh Bank. OSBU operation has been carried out from 28 April 2010 through the Bank's EPZ Branch, Chittagong.

The Bank has a dedicated philanthropic unit named Arab Bangladesh Bank Foundation (the Foundation) which has been operating since 2002. Foundation has obtained brokerage licenses from BSEC on 15 August 2006 and 23 October 2006 for Chosen Stock Exchange (CSE) and Chittagong Stock Exchange (CSE) respectively and started its operation from 28 August 2006 and 05 December 2006 on DSE and CSE respectively. However, in view of the decision of Bangladesh Bank and upon due agreement to that effect the Board of Directors of ABBL and ABBF respectively, launched a new subsidiary company AB Securities Limited for the operation of brokerage business. The business of ABBF is now being conducted by AB Securities Limited.

1.2 Significant accounting policies and basis of preparation of the financial statements

Presentation of the financial statements

Consolidated financial statements and separate financial statements of the Bank comprise of Balance Sheet, Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity, Liquidity Statement and relevant notes and disclosures.

Consolidated financial statements and financial statements of the Bank were made as at 31 December 2015 and were prepared under the historical cost convention except investments categorised under held for trading and in accordance with Bank Company Act 1991, (Amendment up to 2013), BRPD circular no. 14 dated 25 June 2003, the Companies Act 1994, the Securities and Exchange Ordinance 1969, Securities and Exchange Rules 1987 and other laws and rules applicable for the Bank.

Consolidated financial statements and financial statements of the Bank have been prepared in accordance with the measurement and recognition requirements of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS).

Basis of consolidation

Separate set of records for consolidating the financial statements of the Branches including Mumbai Branch, India, AB Investment Limited, AB Securities Limited, Cashlink Bangladesh Limited, AB International Finance Limited, Hong Kong and AB Exchange (UK) Limited are maintained at the Head Office of the Bank, based on which these financial statements have been prepared. The consolidated financial statements have been prepared in accordance with the BFRS 10 "Consolidated Financial Statements". The Consolidated Financial Statements have been prepared to a common reporting period ending on 31 December 2015.

Mumbai Branch, India

The assets and liabilities of Mumbai Branch, India have been incorporated in the accounts at year end exchange rate. Income and expenditures have been incorporated in the accounts by each line item. The Balance Sheet and Profit and Loss Account of the Mumbai Branch have been shown separately in Annexure-F.

Notes to the Financial Statements

For the year ended 31 December 2015

Islami Banking Branch

The Bank has been maintaining separate set of books and records for its operations following Bangladesh Bank guidelines. All assets-liabilities and income-expenses of this Branch have been incorporated in similar heads of account of the Bank's financial statements. Balance Sheet and Profit and Loss Account of Islami Banking Branch is shown separately in Annexure-G as per Bangladesh Bank BRPD Circular No. 15 dated 09 November 2009. Distribution of profit under Islamic Banking Operation and location of final rate for the year 2015 has also been disclosed separately in Annexure-H.

Custodian Wing

Financial statements of Custodian Wing have been separately audited by the auditors of the Bank. Income-expenditures of Custodian Wing have been incorporated in similar heads of account of the Bank's Profit and Loss Account. Profit and Loss Account of Custodian Wing has been shown separately in Annexure-I.

Off-Shore Banking Unit (OSBU)

This particular unit of the Bank started its operation in the year 2010. Assets-liabilities and income-expenditures of Off-Shore Banking Unit are incorporated in similar heads of account of the Bank's Balance Sheet and Profit and Loss Account. The Balance Sheet and Profit and Loss Account of the Off-Shore Banking Unit (OSBU) have been shown separately in Annexure-J.

Subsidiaries Operation

The financial statements of subsidiaries (except Arab Bangladesh Bank Foundation-ABBF) have been consolidated following BFRS 10 "Consolidated Financial Statements". ABBF operated only for philanthropic purpose and its profit is not distributable to the shareholders. Thus, for ensuring the fair presentation of the Financial Statements of the Parent Company (the Bank), the Financial Statements of ABBF has not been consolidated.

AB Investment Limited (ABIL)

AB Investment Limited (ABIL) started its operation from 10 March 2010 for Merchant Banking Operation. AB Bank Limited holds 99.99% shares in ABIL.

The Balance Sheet and Profit and Loss Account of the ABIL have been shown separately in Annexure-K.

AB Securities Limited (ABSL)

Brokerage business of Arab Bangladesh Bank Foundation has been transferred to AB Securities Limited (ABSL) vide Bangladesh Bank approval letter BRPD(R-1)717/2009-493 dated 08 November 2009. AB Bank Limited at present holds 99.91% shares in ABSL.

The Balance Sheet and Profit and Loss Account of the ABSL have been shown separately in Annexure-L.

Cashlink Bangladesh Limited (CBL)

Cashlink Bangladesh Limited (CBL) was incorporated on 24 September 2008 with an authorised capital of Taka 1,000,000,000 divided into 100,000,000 ordinary shares of Taka 10 each. The Bank at present holds 90% shares in CBL.

The Balance Sheet and Profit and Loss Account of the CBL have been shown separately in Annexure-M.

AB International Finance Limited (ABIFL)

AB International Finance Limited (ABIFL) is a company incorporated in Hong Kong. Its registered office and principal place of business is situated at Unit 1201-B, 12/F, Admiralty Centre, Tower One, 18 Harcourt, Hong Kong. It is a fully owned (100%) Subsidiary of AB Bank Limited.

The Balance Sheet and Profit and Loss Account of the ABIFL have been shown separately in Annexure-N.

AB Exchange (UK) Limited

AB Exchange (UK) Limited (ABEL) is a company incorporated and domiciled in United Kingdom (UK) vide registration no. 07272766 (England & Wales). The registered office is situated at 69 Whitechapel High Street, London, E1 7PL. ABEL is a fully owned (100%) Subsidiary of AB Bank Limited.

The Balance Sheet and Profit and Loss Account of the ABEL have been shown separately in Annexure-O.

Arab Bangladesh Bank Foundation (ABBF)

Arab Bangladesh Bank Foundation (ABBF) has maintained separate set of books and records for its operation. The Balance Sheet and Profit and Loss Account of the ABBF have been shown separately in Annexure - P.

Use of estimates and judgments

The preparation of consolidated financial statements and financial statements of the Bank required management to make judgments, estimates and assumptions that affected 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 have been reviewed considering business realities. Revisions of accounting estimates have been recognised in the period in which the estimates have been revised and in the future periods affected, if applicable.

All intergroup balances, transactions, income and expenses are fully eliminated while preparing the consolidated financial statements.

Materiality, aggregation and offsetting

The Bank aggregates each material class of similar items and separately which are dissimilar in nature or function unless they are immaterial. The Bank did not offset assets and liabilities or income and expense, unless required or permitted by BAS/ BFRS.

Foreign currency transactions

Functional and presentational currency

Financial statements of the Bank have been presented in Taka, which is the Bank's functional and presentational currency.

Foreign currency translation

Foreign currency transactions have been converted into equivalent Taka currency at the ruling exchange rates on the respective date of such transactions as per BAS 21 "The Effects of Changes in Foreign Exchange Rates".

Assets and liabilities in foreign currencies as at 31 December 2015 have been converted into Taka currency at the deposits and the prevailing buying and selling rates of the relevant foreign currencies at that date except "balances with other banks and financial institutions" which have been converted as per directives of Bangladesh Bank vide its circular no. BRPD (R) 717/2004-959 dated 21 November 2004.

Differences arising through buying and selling transactions of foreign currencies on different dates of the year have been adjusted by debiting /crediting exchange gain or loss account.

Commitment

Commitments for outstanding forward foreign exchange contracts disclosed in the consolidated financial statements and financial statements of the Bank have been translated at contracted rates. Contingent liabilities/commitments for letter of credit, letter of guarantee and acceptance denominated in foreign currencies have been expressed in Taka terms at the rates of exchange ruling on the balance sheet date.

Translation gain and losses

Gains or losses arising out of translation of foreign exchange have been included in the Profit and Loss Account, except those arising on the translation of net investment in foreign branch and subsidiaries.

Foreign operations

The results of financial statements of the Bank whose functional currency is not Bangladesh Taka are translated into Bangladesh Taka as follows:

- assets and liabilities for each items of Balance Sheet have been translated at the closing rate on the date of Balance sheet.
- income and expenses for Profit and Loss Account have been translated at a monthly average rate of the year; and
- all resulting exchange differences have been recognized in the P&L or as a separate components of equity, where appropriate.

Cash flow statement

Cash Flow Statement is prepared principally in accordance with BAS 7 "Statement of Cash Flows" under direct method as per the guidelines of BRPD circular no. 14 dated 25 June 2003. The Statement of Cash Flows show the structure of and changes in cash and cash equivalents during the year. Cash Flows during the period have been classified as operating activities, investing activities and financing activities.

Statement of changes in equity

Statement of Changes in Equity has been prepared in accordance with BAS 1 "Presentation of Financial Statements" and following the guidelines of Bangladesh Bank BRPD circular no.14 dated 25 June 2003.

Liquidity statement

The basis of the liquidity statement of assets and liabilities as on the reporting date is given below:

Particulars	Maturity term	Basel used
Balance with other banks and financial institutions	Maturity term	
Investments	Respective maturity terms	
Loans and advances	Repayment schedule basis	
Other assets	Useful life	
Borrowing from other banks, financial institutions and agents	Maturity/ repayment terms	
Deposits and other accounts	Maturity term/ Previous trend	
Other liabilities	Payments/ adjustments schedule basis	

1.3 Assets and basis of their valuation

Cash and cash equivalents

Cash comprises cash in hand and demand deposits in the banks.

Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Loans and advances

- Loans and advances/investments in Islamic Banking Branch are stated at gross amounts at 31 December 2015.
- Interest/profit is calculated on a daily product basis but charged and accounted for on accrual basis. Interest/profit on classified loans and advances/ investment is kept in suspense account as per Bangladesh Bank instructions and such interest/profit is not accounted for as income until realized from borrowers. Interest/profit is not charged on bad and loss loans/ investments as per guideline of Bangladesh Bank.
- Commission and discounts on bills purchased and discounted are recognised at the time of realisation.
- Provision for loans and advances is made on the basis of quarter-end review by the management and as per instructions contained in BRPD circular no. 14 dated 23 September 2012, BRPD circular no. 19 dated 27 December 2012, BRPD circular no. 05 dated 29 May 2013, BRPD Circular No. 16 dated 18 November, 2014, BRPD Circular No. 04 dated January 29, 2015 and BRPD Circular No. 08 dated 02 August 2015. The rates for provisions are stated below:

Particulars	Consumer Financing					SMEF	Loans to MS/MSIs	All Other Credit	Off Balance Sheet Exposures
	Short Term	Other than Short Term	HF	LP	SLP				
UC	Standard	2.5%	5%	2%	2%	0.25%	2%	1%	
	SMA	-	5%	2%	2%	0.25%	2%	1%	
SS	5%	20%	20%	20%	20%	20%	20%	20%	1%
Classified	DF	5%	50%	50%	50%	50%	50%	50%	
	BL	100%	100%	100%	100%	100%	100%	100%	

Investment

Investments have been initially recognised at cost, including acquisition charges associated with the investment. Premium have been amortised and discount accrued, using the effective or historical yield method. Government Treasury Bills and Bonds (categorized as HFC or/and HTM) are accounted for as per Bangladesh Bank DOS circular letter no. 05 dated 26 May 2008 and DOS circular no. 05 dated 29 January 2009.

The valuation methods of investment used are:

Government securities

Held to Maturity (HTM)

Investments which are intended to be held to maturity are classified as "Held to Maturity". These are measured at amortised cost at each year end by taking into account any discount or premium in acquisition. Amortised amount of such premium are booked into Profit and Loss Account or discount is booked to reserve until maturity/disposal.

Held for Trading (HFT)

Investment primarily held for selling or trading is classified in this category. After initial recognition, investments are mark to market weekly. Decrease in the book value is recognised in the Profit and Loss Account and any increase is transferred to revaluation reserve account.

Value of investments has been enumerated as follows:

Investment class	Initial recognition	Measurement after initial recognition	Recording of changes
Treasury Bill / Bond (HFT)	Cost	Market value	Loss to Profit and Loss Account (P&L), gain to revaluation reserve.
Treasury Bill / Bond (HTM)	Cost	Amortised value	Increase in value to equity and decrease in value to P&L.
Debtenture	Face value	None	None
Price bond	None	None	None
Shares	Cost	Lower of cost and market value	Realised gain or loss, recognised in P&L. Unrealized gain is not recognised in accounts. Provision is maintained for unrealized loss, if any.

Investment in listed securities

These securities are brought and held primarily for the purpose of selling them in future or held for dividend income. These are reported at cost. Unrealised gains are not recognised in the Profit and Loss Account as per BAS 18 "Revenue".

In accordance with BRPD Circular no. 14 dated 25 June 2003, provisions should be made for any loss arising from the diminution in value of investments. Subsequently as per DOS Circular No.04 dated 24 November 2011, provisions may be made for any loss arising from the diminution in value of investments after netting of gain.

Investment in unlisted securities

Investment in unlisted securities is reported at cost under cost method.

Investment in subsidiaries

Investment in subsidiaries is accounted for under the cost method of accounting in the Bank's financial statements in accordance with the BAS 27 "Separate Financial Statements".

Notes to the Financial Statements

For the year ended 31 December 2015

Fixed assets

- All fixed assets are stated at cost less accumulated depreciation as per BAS 16 "Property, Plant and Equipment". The cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of the BFRS.
- The cost of an item of property, plant and equipment is recognised as an asset if:
 - It is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.
- Depreciation on fixed assets is charged using reducing balance method except motor vehicles, computers & computer equipments and photocopiers for which straight-line method is used. The rates of depreciation are as follows:

Category of asset	Rate of depreciation
Land	Nil
Building	2.5%
Furniture and fixtures	10%
Electrical appliances	20%
Motor vehicles	20%
Leasehold assets - vehicles	20%
- Depreciation on fixed assets acquired during the year is charged from the date of their acquisition. Full month's depreciation is charged in the month of addition irrespective of the month of acquisition and no depreciation is charged in the month of their disposal.
- The cost and accumulated depreciation of disposed assets are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the Profit and Loss Account.
- Useful lives and method of depreciation of fixed assets are reviewed periodically. If useful lives of assets do not differ significantly as these were previously estimated, revaluation of assets, if considered to be done.
- Bank capitalised items value of which is over Taka 50,000 and the items below Taka 50,000 were booked as non-capitalised items under the broader head of other expenses with effect from 01 March 2009 in accordance with the relevant policy of the Bank.
- Bank also follows a policy for amortisation of expenditure considering the durability and useful lives of items. These are treated as intangible assets and are booked under the head "Fixed Assets" and amortised over their estimated useful lives by charging under the broad head "Depreciation".

Intangible assets

An intangible asset is recognised if-

- It is probable that the expected future economic benefits that are attributable to the assets will flow to the entity; and
- The cost of the assets can be measured reliably.

Other assets

Other assets include all balance sheet items not covered specifically in other areas.

Leasing

Where property, plant and equipment have been financed by lease arrangement under which substantially all the risks and rewards of ownership are transferred to the lessees are treated as finance leases as per BAS 17 "Leases". All other leases are classified as operating leases as per BAS 17 "Leases".

Bank as lessee

Assets held under finance lease are recognised as assets of the Bank at their fair value at the date of acquisition or if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets.

Bank as lessor

The Bank did not grant any lease finance.

Stock of stationery

Stock of stationery has been shown under other assets and is valued at cost.

1.4 Capital, reserve, liabilities and provision and basis of their valuation

Share capital

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets.

Statutory reserve

As per Section 24 of the Bank Company Act, 1991 (Amendment up to 2013), 20% of current year's profit of the Bank is required to be transferred to Statutory Reserve until such reserve together with share premium account equals to its paid up capital.

Revaluation reserve

When an asset's carrying amount is increased as a result of revaluation, the increased amount should be credited directly to equity under the head revaluation surplus/ reserve as per BAS 16 "Property, Plant and Equipment".

Deposits and other accounts

Deposits are recognised when the Bank enters into contractual arrangements with the counterparties, which are generally on trade date and initially measured at the amount of consideration received.

Borrowing

Borrowed funds include call money, term borrowings and re-finance from different commercial banks, non-banking financial institutions and central bank.

Provision for taxation

Income tax represents the sum of the current tax and deferred tax.

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Provision for current income tax has been made @ 40% on the accounting profit made by the Bank after considering taxable allowances and disallowances as per income tax laws applicable for the Bank.

Deferred Tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

The impact on the account of changes in the deferred tax assets and liabilities has also been recognized in the Profit and Loss Account as per BAS-12 "Income Taxes" (note 10.01).

Retirement benefits to the employees

The retirement benefits accrued for the employees of the Bank as on the reporting date have been accounted for in accordance with the provision of BAS 19 "Employee Benefits". Bases of enumerating the retirement benefits schemes operated by the Bank are outlined below:

Provident fund

There is a provident fund scheme under the defined contribution plan. The fund is operated by a separate board of trustees approved by the National Board of Revenue as per Income Tax Ordinance, 1984. All eligible employees contribute 10% of their basic pay to the fund. The Bank also contributes equal of employee's contribution to the fund. These contributions are invested separately. Benefits from the fund are given to eligible employees at the time of retirement/resignation as per approved rules of the fund.

Staff gratuity

The Bank has a separate Board of Trustees for operating the staff gratuity fund approved by the National Board of Revenue. Employees of the Bank, who served the Bank for ten years or above are entitled to get gratuity benefit at rates determined by the Service Rules of the Bank.

Superannuation fund

The Bank operates a Superannuation Fund as death-cum-retirement benefit for its employees. The fund is operated by a separate Board of Trustees.

Provision for liabilities

A provision is recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of past event and it is probable that an outflow of economic benefit will be required to settle the obligations, in accordance with BAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

No provision is recognised for 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 and it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or a reliable estimate of the amount of obligation cannot be made.

However, certain provisions on assets and liabilities are maintained in accordance with relevant Bangladesh Bank Circulars issued from time to time.

Provision for nostro accounts

Provision for nostro accounts is maintained as per circular letter no. FEFD(FEMO)/01/2005-677 dated 13 September 2005 issued by Foreign Exchange Policy Department of Bangladesh Bank.

Minority Interest

Minority Interest is the equity in a subsidiary not attributable, directly or indirectly, to parent.

As per BFRS 10 "Consolidated Financial Statements" Bank presents Minority Interest separately in financial statements.

Profit or loss and each component of other shareholders equity are attributed to the owners of the parent and to the Minority Interest. Total shareholders equity is attributed to the owners of the parent and to the Minority Interest even if this result in the Minority Interest having a deficit balance.

1.5 Revenue recognition

Interest income

According to the BAS 18 "Revenue", the interest income is recognised on accrual basis. Interest on loans and advances ceases to be taken into income when such advances are classified or treated as Sub Standard (SS) as per BRPD circular no. 14 dated 23 September 2012 and is kept in interest suspense account. Interest on classified advances is accrued for as income when realised.

Profit on investment (Islami Banking Branch)</