AB Bank Limited & its Subsidiaries

Financial Statements 2015

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Notes to the Financial Statements
For the year ended 31 December 2015

1.6 Reconciliation of books of account

Books of account with regard to inter-bank (in Bangladesh and outside Bangladesh) and inter-branch transactions are reconciled and no material difference was found which may affect the financial statements significantly. There exist no un-reconciled items in NOSTRO accounts as at 31 December 2015.

1.7 Earnings Per Share (EPS)

Basic earnings per share

Basic earnings per share have been calculated in accordance with BAS 33 "Earnings per Share" which has been shown in the face of the Profit and Loss Account. This has been calculated by dividing the basic earnings by the total ordinary outstanding shares. EPS of previous year was restated giving effect of issue of bonus shares for 2014.

Diluted earnings per share

No diluted earnings per share is required to be calculated for the year as there was no scope for dilution during the year under review.

1.8 Off-balance sheet items

Off-Balance Sheet items have been disclosed under contingent liabilities and other commitments as per Bangladesh Bank's guidelines.

In accordance with BRPD circular no.14 dated 23 September 2012, general provision @ 1% has been made on the outstanding balances of Off-Balance Sheet exposure of the Bank as at 31 December 2015. Provision is made on the total exposure and amount of cash margin or value of eligible collateral is not deducted while computing Off-Balance sheet exposure.

1.9 Memorandum items

Memorandum items are maintained for those items for which the Bank has only a business responsibility and no legal commitment.

1.10 Reporting period

These financial statements cover calendar year ended 31 December 2015. Segmental reporting period shown in below:

Sl no.	Name of the entity/segment	Reporting period
1	AB Bank Limited	01 January 2015 to 31 December 2015
2	Off Shore Banking Unit	01 January 2015 to 31 December 2015
3	Mumbai Branch, India	01 January 2015 to 31 December 2015
4	AB Investment Limited	01 January 2015 to 31 December 2015
5	AB Securities Limited	01 January 2015 to 31 December 2015
6	Cashlink Bangladesh Limited	01 January 2015 to 31 December 2015
7	AB International Finance Limited	01 January 2015 to 31 December 2015
8	AB Exchange (UK) Limited	01 January 2015 to 31 December 2015
9	Arab Bangladesh Bank Foundation	01 January 2015 to 31 December 2015

1.11 Segment Reporting

The Bank reports its operations under the following two business segments as per Bangladesh Financial Reporting Standards (BFRS)-8 "Operating Segment".

By Geographical Location & Segment Business

Profit and Loss Account for the year ended 31 December 2015

Taka in Crore

Particulars	AB Bank Limited: Inside Bangladesh: Conventional Banking	Islamic Banking	Investment Banking	Off-Shore Banking Unit	India (Mumbai Branch)	Adjustment	Total	Subsidiaries: Inside Bangladesh: AB Investment Limited	AB Securities Limited	Cash Link Bangladesh Ltd. (CBL)	AB Exchange (UK) Limited	AB Int. Finance Ltd. (Hong Kong)	Adjustment	AB Bank & it's subsidiaries
Interest income	2,013.25	67.24	-	55.19	7.02	(61.54)	2,081.16	39.34	8.38	0.03	-	6.38	(12.40)	2,122.89
Interest paid on deposits and borrowings, etc.	1,567.51	50.77	40.86	45.27	2.15	(53.33)	1,653.22	14.47	5.30	-	-	0.58	(12.69)	1,660.88
Net interest income	445.74	16.47	(40.86)	9.91	4.87	(8.21)	427.93	24.86	3.07	0.03	-	5.81	0.29	462.00
Investment income	321.35	0.19	10.93	-	3.08	-	335.54	0.03	0.14	(0.08)	-	-	(7.44)	328.20
Commission, exchange and brokerage	248.31	2.42	-	0.14	33.62	(1.61)	282.88	4.41	4.59	7.73	0.23	4.19	(7.58)	296.44
Other operating income	17.84	0.37	-	0.02	0.28	-	18.50	0.88	0.30	-	-	3.94	(0.84)	22.77
Total operating income	1,033.24	19.45	(29.93)	10.07	41.85	(9.82)	1,064.85	30.18	8.10	7.69	0.23	13.93	(15.57)	1,109.42
OPERATING EXPENSES														
Salary and allowances	277.61	3.19	-	0.74	1.87	-	283.41	1.74	2.93	0.02	0.44	3.29	-	291.84
Rent, taxes, insurance, electricity, etc.	57.13	0.13	0.16	0.01	1.82	-	59.25	0.27	0.80	-	0.13	0.75	(0.55)	60.65
Legal expenses	0.81	-	-	-	0.03	-	0.84	0.05	0.01	0.02	0.01	-	-	0.93
Postage, stamps, telecommunication, etc.	12.18	0.04	-	0.03	1.28	-	13.52	0.09	0.16	0.00	0.02	0.59	(0.40)	13.99
Stationery, printing, advertisement, etc.	16.41	0.08	-	0.00	0.26	-	16.75	0.02	0.06	-	-	0.03	-	16.86
Directors' fees	0.78	0.01	-	-	-	-	0.80	0.03	0.03	0.01	-	-	-	0.88
Auditors' fees	0.36	-	-	-	0.08	-	0.43	0.01	0.01	0.02	0.02	0.03	-	0.53
Charges on loan losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and repairs of Bank's assets	55.97	0.29	0.01	0.14	0.97	-	57.38	1.84	0.49	0.01	0.26	0.04	-	60.02
Other expenses	117.40	0.82	0.12	0.16	11.95	-	130.44	0.79	1.07	0.04	0.09	0.29	(7.18)	125.55
Total operating expenses	538.67	4.57	0.29	1.07	18.24	-	562.83	4.86	5.56	0.12	0.98	5.03	(8.13)	571.26
Profit before provision	494.58	14.88	(30.22)	9.00	23.61	(9.82)	502.02	25.32	2.54	7.57	(0.75)	8.90	(7.44)	538.16
Provision against loans and advances							206.12							206.65
Provision for diminution in value of investments							-							4.49
Other provisions							20.00							20.01
Total provision							226.12							231.15
Profit before taxation							275.89							307.01
Provision for taxation							148.85							161.28
Net profit after taxation							127.04							145.73

Balance Sheet

Taka in Crore

Particulars	AB Bank Limited: Inside Bangladesh: Conventional Banking	Islamic Banking	Investment Banking	Off-Shore Banking Unit	India (Mumbai Branch)	Adjustment	Total	Subsidiaries: Inside Bangladesh: AB Investment Limited	AB Securities Ltd.	Cash Link Bangladesh Ltd. (CBL)	AB Exchange (UK) Ltd.	AB Int. Finance Ltd. (Hong Kong)	Adjustment	AB Bank & it's subsidiaries
PROPERTY AND ASSETS														
Cash	1,672.44	30.48	-	-	0.41	-	1,703.33	0.0025	0.0002	0.0006	0.13	-	-	1,703.46
Balance with other banks and financial institutes	152.84	202.19	-	1.56	136.30	(21.79)	471.10	0.04	16.53	0.25	0.01	2.05	(14.72)	475.27
Money at call and on short notice	574.97	-	-	228.75	28.43	(303.72)	528.43	-	-	-	-	-	(71.75)	456.68
Investments	2,843.98	24.00	413.21	-	40.68	(4.30)	3,317.59	68.66	16.86	2.35	-	-	-	3,405.46
Loans and advances	19,041.19	381.90	-	1,469.66	79.56	0.21	20,972.52	659.05	99.03	-	-	91.31	(225.42)	21,636.49
Fixed assets	416.79	1.05	0.12	0.32	1.80	-	420.09	61.38	0.35	0.02	0.11	0.01	-	481.95
Other assets	1,067.83	4.63	2.87	4.72	39.52	(31.61)	1,087.96	3.43	1.49	3.02	0.22	0.46	(562.01)	534.57
Non-banking assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	25,770.05	644.25	416.20	1,705.02	326.70	(361.19)	28,501.02	832.56	134.27	5.65	0.46	93.83	(873.90)	28,693.89
LIABILITIES AND CAPITAL														
Liabilities														
Borrowings from other banks, financial institutions and agents	1,755.57	-	-	1,567.63	-	(303.86)	3,019.33	213.22	28.43	10.67	-	71.78	(283.58)	3,059.86
Deposits and other accounts	20,440.76	638.70	0.00	128.34	190.03	(15.93)	21,381.89	-	-	-	-	-	(14.72)	21,367.17
Other liabilities	1,543.67	5.56	417.80	-	25.29	(171.73)	1,820.58	46.03	57.15	1.42	0.34	5.30	(21.35)	1,909.48
Total Liabilities	23,740.00	644.25	417.80	1,695.97	215.31	(491.53)	26,221.81	259.26	85.58	12.10	0.34	77.08	(319.65)	26,336.51
Total Shareholders' Equity	2,030.05	-	(1.60)	9.05	111.39	130.33	2,279.22	573.30	48.69	(6.45)	0.12	16.74	(554.03)	2,357.60
Minority Interest	-	-	-	-	-	-	-	-	-	-	-	-	(0.22)	(0.22)
Total Liabilities and Shareholders' Equity	25,770.05	644.25	416.20	1,705.02	326.70	(361.19)	28,501.03	832.56	134.27	5.65	0.46	93.83	(873.90)	28,693.89

1.12 Compliance of Bangladesh Accounting Standard (BAS) and Bangladesh Financial Reporting Standards (BFRS)

While preparing the financial statements, Bank applied most of the Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) as adopted by the Institute of Chartered Accountants of Bangladesh as applicable to the Bank:

Sl #	Name of BAS	No. of BAS	Status
1	Presentation of Financial Statements	1	Complied
2	Inventories	2	Complied
3	Statement of Cash Flows	7	Complied
4	Accounting Policies, Changes in Accounting Estimates and Errors	8	Complied
5	Events after the Reporting Period	10	Complied
6	Construction Contracts	11	N/A
7	Income Taxes	12	Complied
8	Property, Plant and Equipment	16	Complied
9	Leases	17	Complied
10	Revenue	18	Complied
11	Employee Benefits	19	Complied
12	Accounting for Govt. Grants and Disclosure of Govt. Assistance	20	N/A
13	The Effects of Changes in Foreign Exchanges Rates	21	Complied
14	Borrowing Costs	23	Complied
15	Related Party Disclosures	24	Complied
16	Accounting and Reporting by Retirement Benefit Plans	26	Complied
17	Separate Financial Statements	27	Complied
18	Investments in Associates and Joint Ventures	28	N/A
19	Financial Reporting in Hyperinflationary Economics	29	N/A
20	Interests in Joint Ventures	31	N/A
21	Financial Instruments: Presentation	32	*
22	Earnings Per Share	33	Complied
23	Interim Financial Reporting	34	Complied
24	Impairment of Assets	36	Complied
25	Provisions, Contingent Liabilities and Contingent Assets	37	Complied
26	Intangible Assets	38	Complied
27	Financial Instruments: Recognition and Measurement	39	*
28	Investment Property	40	Complied
29	Agriculture	41	N/A
Sl #	**Name of BFRS**	**No. of BFRS**	**Status**
1	First-time Adoption of International Financial Reporting Standards	1	N/A
2	Share Based Payment	2	N/A
3	Business Combinations	3	Complied
4	Insurance Contracts	4	N/A
5	Non-Current Assets Held for Sale and Discontinued Operations	5	N/A
6	Exploration for and Evaluation of Mineral Resources	6	N/A
7	Financial Instruments: Disclosures	7	*
8	Operating Segments	8	Complied
9	Consolidated Financial statements	10	Complied
10	Joint Arrangements	11	Complied
11	Disclosure of interests in other Entities	12	Complied

* Relevant disclosures are made according to the requirement of Bangladesh Bank.

1.13 Compliance of Bangladesh Bank regulations over BAS/BFRS:

Sl No.	Issues	BAS/BFRS	Bangladesh Bank
1	Presentation	As per BAS 1 Other Comprehensive Income is a component of financial statements or the elements of Other Comprehensive Income are to be included in a single Comprehensive Income statement and there is no requirement to show appropriation of profit in the face of statement of comprehensive income. Again, Intangible assets must be identified, recognised, presented in the face of the balance sheet and the disclosures to be given as per BAS 38.	In accordance with BRPD Circular no. 14 dated 25 June 2003 financial statements do not require to include the statement of Other Comprehensive Income and appropriation of profit is provided in the face of Profit and Loss Account. Intangible assets are provided under the head Fixed Assets.
2	Cash and cash equivalent	As per BAS-7 cash comprises cash in hand & demand deposits and Cash equivalents recognises the short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Therefore, some items like- Balance with Bangladesh Bank on account of CRR/ SLR are not part of cash and cash equivalents as those are not readily available.	Balance with Bangladesh Bank is treated as cash and cash equivalents as per BRPD Circular no. 14 dated 25 June 2003.
3	Investment in shares and securities	As per requirements of BAS 39 investment in shares and securities generally falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value (as measured in accordance with BFRS 13) at the year-end is taken to profit and loss account or revaluation reserve respectively.	As per BRPD Circular no. 14 dated 25 June 2003, provisions should be made for any loss arising from the diminution in value of investments. But, as per DOS Circular No.04 dated 24 November 2011, provisions can be made for any loss arising from the diminution in value of investments after netting of gain.
4	Revaluation gains/losses on Government securities	As per requirement of BAS 39 where securities will fall under the category of Held for Trading (HFT), any change in the fair value of Held For Trading (HFT) assets is recognised through profit and loss account. Securities designated as Held to Maturity (HTM) are measured at amortised cost method and interest income is recognised through the profit and loss account.	As per Bangladesh Bank DOS circular letter no. 05 dated 26 May 2008 and DOS circular no. 05 dated 28 January 2009. HTM 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. In case of HFT after initial recognition, investments are revalued at mark to market on weekly basis. Decrease in the book value is recognised in the Profit and Loss Account and any increase is transferred to revaluation reserve account.
5	Repo and reverse repo transactions	When an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or similar asset) at a fixed price on a future date (REPO), the arrangements is accounted for as a deposit as oppose to a sale, and the underlying asset continues to be recognized in the entity's financial statements. Such transaction do not satisfy de-recognition criteria specified in BAS 39. Same rule applies to the opposite side of the transaction (reverse REPO).	As per Bangladesh bank Circulars / guidelines, when a Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on future date (REPO), the arrangement is accounted for as a normal sales transactions and the financial assets should be derecognized in the seller's book and recognized in the buyer's book.

1.13 Compliance of Bangladesh Bank regulations over BAS/BFRS (cont.)

Sl No.	Issues	BAS/BFRS	Bangladesh Bank
6	Provision on loans and advances/ investments	As per BAS 39 an entity should start the impairment assessment by considering whether objective evidence of impairment exists for financial assets that are individually significant. For financial assets that are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis. Such provision shall be netted off against loans and advances.	As per BRPD circular No.14 (23 September 2012), BRPD circular No. 19 (27 December 2012) and BRPD circular No. 05 (29 May 2013) a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained regardless of objective evidence of impairment. Also provision for sub-standard loans, doubtful loans and bad losses has to be provided at 20%, 50% and 100% respectively for loans and advances depending on the duration of overdue. Again as per BRPD circular no. 10 dated 18 September 2007 and BRPD circular no. 14 dated 23 September 2012, a general provision at 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by BAS 39. Also for disclosure such provision shall be shown as liability as opposed to netting of against loans and advances.
7	Recognition of interest in suspense	Loans and advances to customers are generally classified as 'loans and receivables' as per BAS 39 and interest income is recognised through effective interest rate method over the term of the loan. Once a loan is impaired, interest income is recognised in profit and loss account on the same basis based on revised carrying amount.	As per BRPD circular no. 14 dated 23 September 2012, once a loan is classified; interest on such loans are not allowed to be recognised as income, rather the corresponding amount needs to be credited to interest suspense account, which is presented as liability in the balance sheet.
8	Non-banking asset	No indication of Non-banking asset is found in any BFRS.	As per BRPD circular No. 14, dated 25 June 2003 there must exist a face item named Non-banking asset.
9	Cash flow statement	The cash flow statement can be prepared using either the direct method or the indirect method as per BAS-7. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.	As per BRPD circular No. 14, dated 25 June 2003 cash flow is the mixture of direct and indirect methods.
10	Financial Guarantee	Financial guarantee liabilities are recognised initially at their fair value (as measured in accordance with BFRS 13), and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included under other liabilities.	As per BRPD Circular no. 14 dated 25 June 2003, financial guarantees such as Letter of Credit, Letter of Guarantee, Acceptance and Endorsement, etc. will be treated as off balance sheet items.

1.14 Regulatory and legal compliance

The Bank complied with the requirement of the following regulatory and legal authorities:

i. The Bank Company Act, 1991 (Amendment up to 2013)
ii. The Companies Act, 1994
iii. Rules, regulations and circulars issued by the Bangladesh Bank from time to time
iv. The Securities and Exchange Rules, 1987
v. The Securities and Exchange Ordinance, 1969
vi. The Securities and Exchange Commission Act, 1993
vii. The Securities and Exchange Commission (Public Issues) Rules, 2015
viii. The Income Tax Ordinance, 1984 and Rules
ix. The Value Added Tax (VAT) Act, 1991 and Rules
x. Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) Listing Regulations, 2015
xi. Central Depository Bangladesh Limited (CDBL) rules and regulations.

1.15 Risk management

As a financial intermediary, the Bank is exposed to various types of risks. Risk is defined as uncertainties resulting in adverse variation of profitability or in losses, financial or otherwise. The risk management of the Bank covers core risk areas of banking as defined by Bangladesh Bank as well as Pillar 2 risks. The core risks are credit risk, asset liability risks, money laundering risks, internal control and compliance risks, information technology risks and foreign exchange risks. Some other risks those also affect banking business are liquidity risk, market risk interest rate risk, equity risk, operational risk, reputation risk, strategic risks, credit concentration risks, environmental and climate change risks etc. The objective of the risk management framework at the bank is that the Bank understands, evaluates and takes well calculative risks and thereby safeguarding the Bank's capital, its financial resources and profitability from various business risks through its own measures, policies and procedures established to address these risks and also implementing Bangladesh Bank's guidelines and following some of the best practices as under:

Credit risk

It arises mainly from lending, trade finance and treasury businesses. This can be described as potential loss arising from the failure of a counter party to perform as per contractual agreement with the Bank. The failure may result from unwillingness of the counter party or decline in his/ her financial condition. Therefore, the Bank's credit risk management activities have been designed to address all these issues.

The Bank has segregated duties of the officers / executives involved in credit related activities. A separate Corporate Division has been formed at Head Office which is entrusted with the duties of maintaining effective relationship with the customers, marketing of credit products, exploring new business opportunities, etc. Moreover, credit approval, administration, monitoring and recovery functions have been segregated. For this purpose, two separate divisions have been formed within the Credit Division. These are (a) Credit Risk Management Division and (b) Credit Administration Division. Credit Risk Management Division is entrusted with the duties of maintaining asset quality, assessing risk in lending to a particular customer, sanctioning credit, formulating policy / strategy for lending operation, etc. Adequate provision has been made on classified loans / investments.

A thorough assessment is done before sanction of any credit facility at Credit Risk Management Division. The risk assessment includes borrower risk analysis, financial analysis, industry analysis, historical performance of the customer, security of the proposed credit facility, etc. The assessment process starts at Corporate Division by the Relationship Manager / Officer and ends at Credit Risk Management Division when it is approved / declined by the competent authority. Credit approval authority has been delegated to the credit committee.

In determining single borrower / large loan limit, the instructions of Bangladesh Bank are strictly followed. Internal audit is conducted at periodical intervals to ensure compliance of Bank's and Regulatory polices. Loans are classified as per Bangladesh Bank's guidelines. Concentration of single borrower / large loan limit is shown in note-7.6.

Operational risk

Operational risk address the risk associated with fraud, forgery, unauthorised activities, error, omission, system failure and external events among others. Bank is managing these risk through written procedures, regular training and awareness programs. Departmental Control Function Checklist (DCFCL), Quarterly Operations Report, Loan Documentation Checklist etc. are in place covering all probable risks associated with bank's business and operations. Surprise inspections are also made on a regular basis to make sure that all control tools are functioning properly.

Market risk

The exposure of market risk of the Bank is restricted to foreign exchange risk, interest rate risk and equity position risk.

Foreign exchange risk

Foreign exchange risk is defined as the potential change in earnings due to change in market prices. The foreign exchange risk of the Bank is minimal as all the transactions are carried out on behalf of the customers against underlying L/C commitments and other remittance requirements.

Financial Institution and Treasury (FIT) Division independently conducted the foreign exchange transactions and the Mid office and the Back office of Treasury is responsible for verification of the deals and passing of their entries in the books of account. All foreign exchange transactions are revalued at Market rate as determined by Bangladesh Bank at the month end. All nostro accounts are reconciled on a monthly basis and outstanding entry is reviewed by the management for its settlement. The position maintained by the Bank at the end of day was within the stipulated limit prescribed by the Bangladesh Bank.

Interest rate risk

Interest rate risk may arise from trading portfolio and non- trading portfolio. The trading portfolio of the bank consists of government treasury bills, bond, etc. The short term movement in interest rate is negligible or nil. Interest rate risk of non trading business arises from mismatches between the future yield of an asset and its funding cost. Asset Liability Committee (ALCO) monitors the interest rate movement on a regular basis.

Equity risk

Equity risk arises from movement in market value of equities held. The risks are monitored by the Investment Banking Division under a well designed policy framework. Adequate provision was maintained by the Bank for diminution of market value of Investments.

Liquidity risk

The objective of liquidity risk management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due. To this end, the Bank is maintaining a diversified and stable funding base comprising of core retail and corporate deposits and institutional balance. Management of liquidity and funding is carried out by Financial Institution and Treasury (FIT) Division under approved guidelines. FIT front office is supported by a very structured Mid Office and Back Office. The liquidity management is monitored by Asset Liability Committee (ALCO) on a regular basis. A written contingency plan is in place to manage extreme situation.

Risk arising from money laundering

AB Bank Limited considers prevention of money laundering risk not only as a compliance requirement imposed by the law of the country but also as one of its core business values. The board of directors and senior management are firmly committed to combat money laundering. Every year, a message from the President and Managing Director's office goes to all employees' of the Bank reiterating the importance of the issue. There is a high profile Central Compliance Unit (CCU) in place to oversee the anty money laundering activities. The president and managing director himself supervise the function of CCU's. Operation has separated and dedicated headcount for surveillance of the anti money laundering functions across the bank. Training and awareness programs are regularly held to make all employees' aware of the issue. Bank has also undertaken campaign against money laundering in electronic media.

Internal Control and Compliance Risk

Internal Control and Compliance Division (ICCD) of the bank performs three core functions - Internal Audit, Monitoring and Compliance in order to mitigate the internal control and compliance risk. ICCD conducts Risk Based Audit and Annual Audit of the Branches. Audit of Head Office Divisions also come under ICCD. ICCD monitors compliance of Internal as well as Bangladesh Bank Audit Reports including Bangladesh Bank Special Audit Reports on Core Risks. Besides, Special Audit on some specific issues like year-end Cash Position, Security Stock verification etc. are also done by ICCD.

Information and Communication Technology (ICT) Security Risk

IT division of AB Bank took several initiatives to minimize the ICT related risk. Among those ATM Switch Migration from Euronet iTM to ECS iTx, Automatic Voltage Regulator for Head Office Data Center and Disaster Recovery Site, CISCO IronPort Web Security implementation to protect Internet threat, Building Management System (BMS) expanded to protect AB Bank Data Center and Disaster Recovery Site from fire and water and Implemented CISCO Nexus 7009 Switch into DC and DR which is the first time for any financial institution in Bangladesh.

1.16 Environment Risk Management (ERM)

Bangladesh Bank issued Guidelines on Environment Risk Management (ERM) to streamline solutions for managing the environmental risks in the financial sector – Ref: BRPD Circular No.01/2011 dated 30.01.2011 and BRPD Circular no.02 dated 27 February, 2011 respectively. Bank accordingly introduced the Guideline on Environment Risk Management on June 15, 2011. These ERM guidelines are an attempt to incorporate the environmental impact of a business into the lending process, so that the environment gets due consideration in the appraisal process.

Environmental risk is a facilitating element of credit risk arising from such environmental issues. These can be due to environmental impacts caused by and / or due to the prevailing environmental conditions. These increase risks as they bring an element of uncertainty or possibility of loss in the context of a financing transaction.

The Bank is complying with Bangladesh Bank Guidelines to the above effect from time to time and reporting activities on ERM and Green Banking every quarter.

1.17 Credit Rating of the Bank

Credit rating of the Bank:

Year	Date of Rating	Long term	Short term
Jan to Dec 2014	April 30, 2015	AA3	ST-2
Jan to Dec 2013	March 27, 2014	AA3	ST-2
Jan to Dec 2012	May 26, 2013	AA3	ST-2
Jan to Dec 2011	June 21, 2012	AA3	ST-2

1.18 Events after the Reporting Period

As per BAS -10 "Events after the Reporting Period" events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

(a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and

(b) those that are indicative of conditions that arose after the reporting period (no adjusting events after the reporting period).

There was no material events which have occurred after the reporting period which could affect the values stated in the financial statements.

1.19 Related party disclosures

A party is related to the company if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the company; has an interest in the company that gives it significant influence over the company; or has joint control over the company;
(ii) the party is an associate;
(iii) the party is a joint venture;
(iv) the party is a member of the key management personnel of the Company or its parent;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the company.

a) Significant contracts where the Bank is a party and wherein Directors have interest:

Name of contract	Name of the Party	Name of Director and Related by	Relationship
Lease agreement with AB Bank Limited	Elite International Ltd.	Salim Ahmed & Feroz Ahmed	Common Director

b) Related party transactions:

Name of related party	Relationship	Nature of transaction	Amount in Taka
Elite International Ltd.	Common Director	Office Rent	1,196,820

1.20 Audit Committee of the Board of Directors

i) Particulars of Audit Committee

The Audit Committee of the Board was duly constituted by the Board of Directors of the Bank in accordance with the BRPD Circular No. 11 dated October 27, 2013 issued by Bangladesh Bank. The Committee was formed comprising 5 (five) members of the Board:

Sl no.	Name	Status with Bank	Status with Committee	Duration	Educational/ Professional Qualification
1	Mr. Shishir Ranjan Bose, FCA	Independent Director	Chairman	With effect from 16 July 2008	Fellow of Chartered Accountants
2	Mr. M. Wahidul Haque	Chairman	Member	With effect from 04 February 2008	B.A., LLB
3	Mr. Salim Ahmed	Vice Chairman	Member	With effect from 08 May 2014	B.A (Hons.) M.A. (History)
4	Mr. M.A. Awal	Director	Member	With effect from 12 July 2011	B.Com.
5	Prof. Dr. M. Imtiaz Hossain	Independent Director	Member	With effect from 12 April 2015	Ph. D. from University of Manchester, U.K.

The Company Secretary acts as Secretary of the Audit Committee of the Board.

ii) Meeting held with Audit Committee

During the year 2015, the Audit Committee conducted 19 (Nineteen) meetings in which, among others, the following issues were reviewed and discussed:

- comprehensive inspection report of Bangladesh Bank including status of compliance thereof;
- inspection reports of Branches/Head Office conducted by Bank's Internal Control & Compliance Division;
- financial statements of the Bank;
- quarterly and half-yearly Financial Statements of the Bank for the year 2015;
- review of the financial statements of the subsidiary companies; and
- status of compliance of different rules and regulations.

iii) Steps taken for implementation on effective internal control procedure of the Bank

The Committee placed its report regularly to the Board of Directors of the Bank mentioning its review results and recommendations on internal control system, compliance of rules and regulations and establishment of good governance within the organization.

1.21 Shariah Council

Members of AB Bank Shariah Supervisory Committee are as under:

Sl no.	Name	Status with the Committee	Educational/ Professional Qualification
1	Jb. M. Azizul Huq	Chairman	M.A (Econ.),DAIBB. Founder CEO of Islami Bank (Bangladesh) Ltd. and Social Islami Bank Ltd.
2	Jb. Md. Shouquat Ali	Vice Chairman	B.A (Hons.) M.A (Econ.), LLB (Ist class). Advocate, Bangladesh Supreme Court Ex-Company Secretary & Head of Law Division, IBBL
3	Jb. Mukhlesur Rahman	Member	Kamil, Madrasah Edu. Board, B.A (Hons) & M.A in Islamic Studies, Dhaka University. Higher Diploma in Arabic Language, Dhaka University.
4	Jb. Mawlana Muhammad Musa	Member	Kamil, Madrasah Education Board, B.Com (Hons) M.Com, Dhaka University. Auther and rechearch scholar of Quran & Hadith.
5	Jb. M. Wahidul Haque (Chairman, Board of Directors, ABBL)	Member	BA, LLB
6	Jb. Shamim Ahmed Chaudhury (President & MD, ABBL)	Member	MBA with Major in Finance
7	Jb. Dr. Mufti Mohd. Haroon Rashid	Member Secretary	M.A, M. Phil PhD Aligor University, India. Mufti (1st Class) Darul Ulum Dewband, India

During the Year 2015, AB Bank Shariah Supervisory Committee met in 04 (Four) meetings and reviewed different operational issues, including those referred to it by the Management of the Bank and gave opinion & decisions related to Islamic Shariah.

The important issues attending by the Shariah Supervisory Committee during the year 2015 are :

- Reviewing the Yearly Shariah Audit Report (January-December, 2014) of Islami Banking Branch and its observations.
- Reviewing the Half-Yearly Shariah Audit Report (January-June, 2015) of Islami Banking Branch and its observations.
- Approving the Final Account, 2014 of Islami Banking Branch.
- Approving the Annual Report of Shariah Supervisory Committee for the year 2014 on Islamic banking operation of the Bank.

2. General

i. Figures relating to the previous year included in this report have been rearranged, wherever considered necessary, to make them comparable with those of the current year.
ii. Figures in these notes and in the annexed financial statements have been rounded off to the nearest Taka.
iii. These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

			31.12.2015 Taka	31.12.2014 Taka
3.	**Cash**			
	Cash in hand	(Note: 3.1)	1,204,156,116	1,137,941,325
	Balance with Bangladesh Bank and its agent bank(s)	(Note: 3.2)	15,829,128,241	12,809,767,620
			17,033,284,356	**13,947,708,945**
3(a)	**Consolidated Cash**			
	AB Bank Limited		17,033,284,356	13,947,708,945
	AB Investments Limited		25,000	25,000
	AB International Finance Limited		-	-
	AB Securities Limited		2,410	6,190
	Cashlink Bangladesh Limited (CBL)		6,445	23,096
	AB Exchange (UK) Limited		1,251,631	2,713,147
			17,034,569,843	**13,950,476,378**
3.1	**Cash in hand**			
	In local currency		1,174,908,808	1,110,821,477
	In foreign currency		29,247,308	27,119,848
			1,204,156,116	**1,137,941,325**
3.1(a)	**Consolidated Cash in hand**			
	AB Bank Limited		1,204,156,116	1,137,941,325
	AB Investments Limited		25,000	25,000
	AB International Finance Limited		-	-
	AB Securities Limited		2,410	6,190
	Cashlink Bangladesh Limited (CBL)		6,445	23,096
	AB Exchange (UK) Limited		1,251,631	2,713,147
			1,205,441,602	**1,140,708,758**
3.2	**Balance with Bangladesh Bank and its agent bank(s)**			
	Balance with Bangladesh Bank			
	In local currency		14,828,917,268	11,858,151,070
	In foreign currency		636,067,309	563,838,581
			15,464,984,577	12,421,989,650
	Sonali Bank Limited (as an agent bank of Bangladesh Bank) - local currency		364,143,664	387,777,970
			15,829,128,241	**12,809,767,620**
3.2.1	**Balance with Bangladesh Bank- local currency**			
	Balance as per Bank Ledger		14,828,917,268	11,858,151,070
	Unresponded debit entries:		73,257,072	26,767,121
	Bangladesh Bank statement		73,257,072	26,767,121
	AB Bank's ledger		-	-
	Unresponded credit entries:		6,754,860	132,747,435
	Bangladesh Bank statement		6,557,885	40,815,281
	AB Bank's ledger		196,975	91,932,154
			14,762,415,056	**11,964,131,384**

Bangladesh Bank Account represents outstanding transactions (net) originated but yet to be responded at the Balance Sheet date. However, the status of unresponded entries as of 31.12.2015 is given below:

year of Unreconciliation	Number of: Debit	Number of: Credit	Unresponded Amount: Debit	Unresponded Amount: Credit
Less than 3 months	17	4	72,757,072	6,557,885
3 months to less than 6 months	-	1	-	6,975
6 months to less than 12 months	-	-	-	-
12 months and more	1	1	500,000	190,000
Total	**18**	**6**	**73,257,072**	**6,754,860**