

## Auditors' Report to the Shareholders of BASIC Bank Limited

We have audited the accompanying financial statements of BASIC Bank Limited (the "Bank") which comprise the balance sheet as at 31 December 2011, profit and loss account, statement of changes in equity, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements of the Bank in accordance with Bangladesh Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of these financial statements of the Bank that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements of the Bank based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements of the Bank are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error. In making those risk assessments, we consider 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 of the Bank prepared in accordance with the Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the financial position of the Bank as at 31 December 2011 and the results of its financial performance and its cash flows for the year then ended and comply with the Bank Companies Act 1991, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

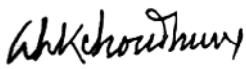
### **We also report that :**

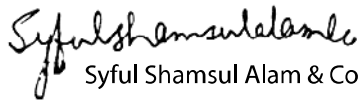
- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- ii) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- iii) the balance sheet and profit and loss account

## Auditors' Report to the Shareholders of BASIC Bank Limited

- of the Bank dealt with by the report are in agreement with the books of account and returns;
- iv) the expenditure incurred was for the purpose of the Bank's business;
  - v) the financial position of the Bank as of 31 December 2011 and the profit for the year then ended have been properly reflected in the financial statements;
  - 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 Bangladesh Bank;
  - vii) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
  - viii) the financial statements of the Bank conform to the prescribed standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
  - ix) the records and statements submitted by the branches have been properly maintained and in the financial statements;
  - x) the information and explanations required by us have been received and found satisfactory;
  - xi) we have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 4,200 person hours for the audit of the books and accounts of the Bank; and
  - xii) the capital adequacy ratio, in compliance with Basel II has been maintained adequately during the year.

Place : Dhaka  
Date : 28 March 2012

  
Aziz Halim Khair Chowdhury  
Chartered Accountants

  
Syful Shamsul Alam & Co  
Chartered Accountants

# Balance Sheet

As at 31 December 2011

PROPERTY AND ASSETS	Notes	Amount in Taka	
		31.12.2011	31.12.2010
<b>Cash</b>	3	<b>4,682,116,663</b>	<b>3,075,372,781</b>
Cash in hand (including foreign currency)		420,532,562	344,012,334
Balance with Bangladesh Bank & Sonali Bank (including foreign currency)		4,261,584,101	2,731,360,447
<b>Balance With Other Banks &amp; Financial Institutions</b>	4	<b>2,026,743,534</b>	<b>2,627,442,164</b>
In Bangladesh		1,723,297,815	1,992,010,143
Outside Bangladesh		303,445,719	635,432,021
<b>Money at call and short notice</b>	5	<b>2,240,000,000</b>	<b>250,000,000</b>
<b>Investments</b>	6	<b>9,494,082,996</b>	<b>6,676,431,838</b>
Government		9,304,513,931	6,506,731,752
Others		189,569,065	169,700,086
<b>Loans &amp; Advances</b>	7	<b>56,884,757,885</b>	<b>46,341,513,504</b>
Loans, cash credit & overdraft etc.		54,266,599,661	43,257,526,832
Bills purchased and discounted		2,618,158,224	3,083,986,672
<b>Premises and Fixed Assets</b>	8	<b>364,461,024</b>	<b>283,116,626</b>
<b>Other Assets</b>	9	<b>2,339,569,927</b>	<b>2,315,509,761</b>
<b>Non-Banking Assets</b>		-	-
<b>Total Assets</b>		<b>78,031,732,029</b>	<b>61,569,386,675</b>
<b>LIABILITIES &amp; CAPITAL</b>			
<b>Borrowings from other banks / financial Institutions and agents</b>	10	<b>2,788,155,658</b>	<b>2,718,463,342</b>
<b>Deposits and Other Accounts</b>		<b>62,650,734,774</b>	<b>49,259,600,843</b>
Current deposits and other accounts	11	3,398,048,925	4,887,144,405
Bills Payable		591,866,053	597,015,587
Savings Bank Deposit		1,496,282,507	1,328,222,087
Fixed deposits		57,164,537,289	42,447,218,763
Bearer certificate of deposit		-	-
Other deposits		-	-
<b>Other Liabilities</b>	12	<b>7,111,083,175</b>	<b>5,116,886,539</b>
<b>Total Liabilities</b>		<b>72,549,973,607</b>	<b>57,094,950,724</b>
<b>Capital / Shareholders' Equity</b>			
Paid-up capital	13	2,357,586,000	1,964,655,000
Statutory reserve	14	2,224,690,642	1,824,692,334
Other reserve	15	286,309,487	255,099,831
Retained earnings	16	613,172,293	429,988,786
<b>Total Shareholders' Equity</b>		<b>5,481,758,422</b>	<b>4,474,435,951</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>		<b>78,031,732,029</b>	<b>61,569,386,675</b>


## Off-Balance Sheet Items

As at 31 December 2011

	Notes	Amount in Taka	
		31.12.2011	31.12.2010
<b>CONTINGENT LIABILITIES :</b>	17	<b>16,545,523,029</b>	<b>22,161,472,129</b>
Acceptances and endorsements		5,458,254,177	5,367,167,387
Letters of guarantee		1,823,215,099	1,350,964,214
Irrevocable letters of credit		8,336,789,137	14,482,011,411
Bills for collection		870,335,800	911,712,241
Other contingent liabilities		56,928,816	49,616,876
<b>Total :</b>			
<b>OTHER COMMITMENTS :</b>			
Documentary credit 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		-	-
<b>Total :</b>		-	-
<b>Total Off-Balance Sheet Items including Contingent Liabilities</b>		<u><u>16,545,523,029</u></u>	<u><u>22,161,472,129</u></u>

The annexed notes form an integral part of the Balance Sheet.

  
Managing Director

  
Director  
20/3/2012


  
Director

  
Chairman

This is the Balance Sheet referred to in our separate report of even date.

Place : Dhaka  
Date : 28 March 2012

  
Aziz Halim Khair Choudhury  
Chartered Accountants

  
Syful Shamsul Alam & Co.  
Chartered Accountants

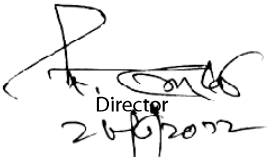
# Profit & Loss Account

For the year ended 31 December 2011

	Notes	Amount in Taka	
		31.12.2011	31.12.2010
<b>Operating Income</b>			
Interest income	18	7,099,007,386	4,337,044,641
Interest paid on deposits & borrowings	19	(4,911,660,920)	(3,033,562,579)
<b>Net Interest Income</b>		<b>2,187,346,466</b>	<b>1,303,482,062</b>
Investments income	20	751,630,731	651,524,002
Commission / fees, exchange earnings & brokcerge	21	785,349,085	642,576,792
Other operating income	22	189,232,500	476,671,354
<b>TOTAL OPERATING INCOME (A)</b>		<b>3,913,558,783</b>	<b>3,074,254,210</b>
<b>Operating Expenses</b>			
Salary & allowances	23	993,577,829	877,127,579
Rent, taxes, insurance, electricity etc.	24	108,519,337	85,968,179
Legal & Professional expenses	25	5,775,685	4,135,727
Postage, stamp, telecommunication etc.	26	32,833,946	27,853,213
Stationery, printing, advertisement etc.	27	42,586,755	30,772,319
Managing director's salary	28	5,658,488	6,200,000
Directors' fee	29	1,727,479	1,140,000
Audit fee		657,900	235,125
Depreciation of Bank's assets	30	79,688,746	67,569,180
Repair & Maintenance of Banks Assets	31	23,991,807	19,823,786
Other expenses	32	270,019,885	236,378,633
<b>TOTAL OPERATING EXPENSES (B)</b>		<b>1,565,037,857</b>	<b>1,357,203,742</b>
<b>Operating profit / (loss) before Provision (C) = (A - B)</b>		<b>2,348,520,926</b>	<b>1,717,052,468</b>
Provision for loans & advances	33	404,348,230	326,277,982
Provision for off- balance sheet exposures	34	(55,818,850)	65,597,080
Provision for diminution in value of investments		-	-
Other provision		-	-
<b>Total Provision (D)</b>		<b>348,529,380</b>	<b>391,875,062</b>
<b>Net Profit / (Loss) before Tax (C - D)</b>		<b>1,999,991,546</b>	<b>1,325,175,406</b>
Provision for current tax	35	1,038,973,188	723,274,196
Provision for deferre tax	36	(15,094,458)	(59,035,060)
<b>Net Profit / (Loss) after Tax</b>		<b>976,112,816</b>	<b>660,936,269</b>
<b>Disribution :</b>			
Statutory reserve	14	399,998,309	265,035,082
General reserve		-	-
Dividend		-	-
<b>Retained earnings</b>		<b>576,114,507</b>	<b>395,901,187</b>
<b>Earnings per share (EPS)</b>	39	<b>41.40</b>	<b>28.03</b>

The annexed notes form an integral part of the Profit and Loss Account.

  
Managing Director

  
Director  
26/3/2012

  
Director

  
Chairman

This is the Profit and Loss Account referred to in our report of even date.

Place : Dhaka  
Date : 28 March 2012

  
Aziz Halim Khair Choudhury  
Chartered Accountants

  
Syful Shamsul Alam & Co.  
Chartered Accountants

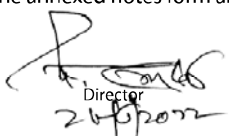
# Cash Flow Statement

For the year ended 31 December 2011

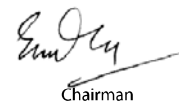
	Amount in Taka	
	31.12.2011	31.12.2010
<b>A. Cash Inflows from Operating Activities</b>		
Interest received in cash	7,746,017,865	4,935,127,321
Interest paid by cash	(3,737,347,531)	(3,044,386,504)
Dividend received in cash	913,501	7,698,339
Fees and commission received in cash	785,349,085	642,576,791
Recovery of loans previously written off	83,737,916	7,570,819
Cash paid to employees	(894,840,152)	(667,744,406)
Cash paid to suppliers	(42,586,755)	(30,772,319)
Income tax paid	(684,557,724)	(606,784,827)
Received from other operating activities	105,470,466	463,586,389
Paid for other operating activities	(443,526,039)	(375,534,667)
<b>Operating Profit before changes in operating assets and liabilities</b>	<b>2,918,630,632</b>	<b>1,331,336,936</b>
Changes in operating assets and liabilities :	168,731,330	(3,620,380,967)
Statutory deposits	2,737,754,000	2,487,494,000
Purchase/sales of trading securities	(2,786,441,502)	(448,152,641)
Loans and advances to customers	(10,543,244,381)	(17,079,979,162)
Other assets	121,339,024	(1,249,019,373)
Deposits from other Bank	1,499,747,000	13,771,000
Deposits from customers	9,153,632,931	12,256,637,578
Other liabilities	(14,055,742)	398,867,631
<b>Net cash flow from operating activities</b>	<b>3,087,361,962</b>	<b>(2,289,044,031)</b>
<b>B. Cash Inflows from investing activities</b>		
Proceeds from sale of securities	-	-
Cash Payments for purchase of securities	-	-
Purchase of fixed assets	(161,643,194)	(118,338,650)
Sales of fixed assets	634,168	5,822,769
<b>Net cash flow from/(used in) Investing Activities</b>	<b>(161,009,026)</b>	<b>(112,515,881)</b>
<b>C. Cash inflows from financing activities</b>		
Increase/(decrease) of long term borrowing	69,692,316	(156,694,576)
Payment of dividend	-	-
<b>Net cash flow from financing activities</b>	<b>69,692,316</b>	<b>(156,694,576)</b>
Net increase of cash and cash equivalents (A+B+C)	2,996,045,252	(2,558,254,488)
Effects of exchange rate changes on cash and cash equivalents	-	-
Opening Cash and Cash Equivalent	5,952,814,945	8,511,069,433
<b>Closing cash and cash equivalents (note 38)</b>	<b>8,948,860,197</b>	<b>5,952,814,945</b>
<b>Analysis of closing cash and cash equivalents</b>		
Cash in Hand and Balance with Bangladesh Bank and Sonali Bank	4,682,116,663	3,075,372,781
Cash with Other Banks	2,026,743,534	2,627,442,164
Money at Call and Short Notice	2,240,000,000	250,000,000
	<b>8,948,860,197</b>	<b>5,952,814,945</b>

The annexed notes form an integral part of the Cash Flow Statement.

  
Managing Director

  
Director


  
Director

  
Chairman

Place : Dhaka  
Date : 28 March 2012

This is the Cash Flow Statement referred to in our separate report of even date.

  
Aziz Halim Khair Choudhury  
Chartered Accountants

  
Syful Shamsul Alam & Co.  
Chartered Accountants

## Statement of Changes in Shareholders' Equity

For the year ended 31 December 2011

### Statement of Changes in Shareholders' Equity

Particulars	Paid-up Capital		Statutory reserve		General reserve		Investment revaluation reserve		Retained surplus		Total	
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Balance as of 01 January 2011	1,964,655,000	1,824,692,333	40,000,000	215,099,831	429,988,786	4,474,435,950						
Net Profit for the Year	-	399,998,309	-	-	576,114,507	976,112,816						
Revaluation Reserve for Securities	-	-	-	42,360,716	-	42,360,716						
Surplus/deficit on revaluation of investments	-	-	-	(11,151,060)	-	(11,151,060)						
Transferred to Other Reserve	-	-	-	-	-	-						
Cash Dividend Paid During the Year	-	-	-	-	-	-						
Dividend Distribution Tax	-	-	-	-	-	-						
Issuance of bonus share	392,931,000	-	-	-	(392,931,000)	(11,151,060)						
<b>Balance as of 31 December 2011</b>	<b>2,357,586,000</b>	<b>2,224,690,642</b>	<b>40,000,000</b>	<b>246,309,487</b>	<b>613,172,293</b>	<b>5,481,758,422</b>						



Managing Director

  
26/3/2012

Director



Director



Chairman

Place : Dhaka

Date : 28 March 2012

# Liquidity Statement

For the year ended 31 December 2011

## Liquidity Statement (Asset and Liability Maturity Analysis)

(Amount in Taka)

Particulars	Upto 01 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
<b>Assets :</b>						
Cash in hand	1,108,803,663	-	-	-	3,573,313,000	4,682,116,663
Balance with Other Banks and Financial Institutions	1,488,589,680	194,847,848	188,327,924	154,978,082	-	2,026,743,534
Money at Call on Short Notice	2,240,000,000	-	-	-	-	2,240,000,000
Investment	1,744,900	-	704,083,441	6,710,019,972	2,078,234,683	9,494,082,996
Loans and Advances	1,573,808,315	9,683,138,206	20,625,574,421	19,144,007,363	5,858,229,580	56,884,757,885
Fixed Assets Including Premises Furniture and Fixtures	-	-	14,654,978	254,470,331	95,335,715	364,461,024
Other Assets	-	656,807,920	759,117,471	923,644,536	-	2,339,569,927
Non-banking Assets	-	-	-	-	-	-
<b>Total Assets</b>	<b>6,412,946,558</b>	<b>10,534,793,974</b>	<b>22,291,758,235</b>	<b>27,187,120,284</b>	<b>11,605,112,978</b>	<b>78,031,732,029</b>
<b>Liabilities :</b>						
Borrowing from Bangladesh Bank, Other Banks, Financial Institutions and Agents	-	-	-	22,772,109	2,765,383,549	2,788,155,658
Deposits & Other Accounts	11,112,941,507	7,477,385,744	38,304,983,384	4,480,447,738	1,274,976,401	62,650,734,774
Provision and Other Liabilities	224,213,700	279,956,713	4,483,109,806	1,577,260,251	546,542,705	7,111,083,175
<b>Total liabilities</b>	<b>11,337,155,207</b>	<b>7,757,342,457</b>	<b>42,788,093,190</b>	<b>6,080,480,098</b>	<b>4,586,902,655</b>	<b>72,549,973,607</b>
<b>Net Liquidity Gap</b>	<b>(4,924,208,649)</b>	<b>2,777,451,517</b>	<b>(20,496,334,955)</b>	<b>21,106,640,186</b>	<b>7,018,210,323</b>	<b>5,481,758,422</b>



Managing Director

Place : Dhaka

Date : 28 March 2012



Director



Director



Chairman



**Highlights  
on the  
overall activities**

<b>SL.</b>	<b>Particulars</b>	<b>2011</b>	<b>2010</b>
1	Paid up Capital	2,357,586,000	1,964,655,000
2	Total Capital	6,110,959,759	5,073,072,836
3	Capital Surplus / (Deficit)	80,509,759	221,442,836
4	Total Assets	78,031,732,029	61,569,386,676
5	Total Deposits	62,650,734,774	49,259,600,843
6	Total Loans and Advances	56,884,757,885	46,341,513,504
7	Total Contingent Liabilities and Commitments	16,545,523,029	22,161,472,129
8	Credit - Deposit Ratio	87.74%	94.08%
9	Percentage of Classified Loans against total Loans and Advances	4.38%	4.83%
10	Profit after Tax and Provision	976,112,816	660,936,270
11	Amount of Classified Loans and Advances	2,489,790,200	2,239,968,230
12	Provision Kept against Classified Loan	894,376,516	734,544,770
13	Provision Surplus/ (deficit)	-	-
14	Cost of Fund	9.70%	8.13%
15	Interest Earning Assets	67,798,389,425	52,810,422,036
16	Non-interest Bearing Assets	10,233,342,604	8,758,964,640
17	Return on Investment (ROI)	9.30%	10.01%
18	Return on Assets (ROA)	1.40%	1.24%
19	Incomes on Investment	751,630,731	651,524,002
20	Earnings Per Share (EPS)	41.40	28.03
21	Net Income Per Share	41.40	28.03
22	Price Earning Ratio	N/A*	N/A*

\*N/A : Not Applicable

for the year ended 31 December 2011

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## **BASIC Bank Limited**

### **Notes to the Financial Statements**

#### **for the year ended 31 December 2011**

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#### **1.1 Status of the Bank**

The BASIC Bank Limited ("the Bank") was incorporated as a banking company under the Companies Act, 1913. In 2001 the Bank changed its earlier name ' Bank of Small Industries and Commerce Bangladesh Limited' and registered the new name with the Registrar of Joint Stock Companies. Initially the Bank started its operation as a joint venture enterprise of the then BCC foundation, a welfare trust in Bangladesh and the Government of People's Republic of Bangladesh. On 4 June 1992 the Government of Bangladesh took over 70% shares held by the then BCC Foundation and became the sole owner of the bank. It operates with 45 branches in Bangladesh. The registered office of the company is located at 73 Motijheel C/A, Dhaka-1000.

##### **1.1.1 Objectives**

The principal activities of the Bank is unique in blending development financing and commercial banking. The Memorandum and Articles of Association of BASIC Bank Limited stipulate that at least fifty percent of its loanable fund shall be used for financing Small and Medium Scale Industries.

#### **1.2 Significant accounting policies and basis of preparation of financial statements**

##### **1.2.1 Basis of accounting**

##### **Statement of compliance**

The financial statements of the Bank are made up to 31 December 2011 and are prepared under the historical cost basis, except for the assets and liabilities which are stated at fair value and in accordance with the "First Schedule (Sec-38) of the Bank Companies Act, 1991, BRPD Circular # 14 dated 25 June 2003, BRPD Circular # 15 dated 09

November 2009 and DFIM Circular # 11 dated 23 December 2009, other Bangladesh Bank Circulars, International Accounting Standards and International Financial Reporting Standards adopted by the Institute of Chartered Accountants of Bangladesh titled as "BAS", Companies Act, 1994, the Securities and Exchange Rules 1987, Dhaka & Chittagong Stock Exchanges' listing regulations and other laws and rules applicable in Bangladesh. All Inter-branch account balances and transactions among the head office and the branch have been taken into accounts.

The accounting policies and methods of computation used in the preparation of the financial statements for the year ended 31 December 2011 are consistent with those adopted in Bangladesh.

##### **1.2.2 Use of estimates and judgments**

In the preparation of the financial statements management required to make judgments, estimates and assumptions that affect 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 are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

##### **1.2.3 Foreign currency transaction**

###### **a) Foreign currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates, i.e. the functional currency. The financial statements of the Bank are presented in Taka which is the Bank's functional and presentation currency.

###### **b) Foreign currencies translation**

Foreign currency transactions are converted into equivalent Taka using the ruling exchange rates on the dates of respective transactions as per BAS-21 "The Effects of Changes in Foreign Exchange Rates". Foreign currency balances held in US Dollar are

converted into taka at weighted average rate of inter bank market as determined by Bangladesh Bank on the closing date of every month. Balances held in foreign currencies other than US Dollar are converted into equivalent US Dollar at buying rates of New York closing of the previous day and converted into Taka equivalent.

#### **c) Commitments**

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Taka terms at the rate of exchange ruling on the date of giving commitment or taking liability.

#### **d) Translation gains and losses**

The resulting exchange transaction gains and losses are included in the profit and loss account.

#### **1.2.4 Statement of cash flows**

Statement of cash flows has been prepared in accordance with the Bangladesh Accounting Standard 7 " Statement of Cash Flows" under direct method as recommended in the BRPD Circular No. 14 dated 25 June 2003 issued by the Banking Regulation & Policy Department of Bangladesh Bank.

#### **1.2.5 Liquidity statement**

The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term as per the following basis:

- i) Balance with other Banks and financial institutions, money at call and short notice, etc. are on the basis of their maturity term;
- ii) Investments are on the basis of their respective maturity;
- iii) Loans and advances / investments are on the basis of their repayment schedule;
- iv) Fixed assets are on the basis of their useful lives;
- v) Other assets are on the basis of their realization / amortization;
- vi) Borrowing from other Banks, financial institutions and agents, etc are as per their maturity / repayment terms;

vii) Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal by the depositors;

viii) Provisions and other liabilities are on the basis of their payment / adjustments schedule.

#### **1.2.6 Reporting period**

These financial statements cover one calendar year from 01 January 2011 to 31 December 2011.

#### **1.2.7 Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

#### **1.3 Assets and basis of their valuation**

##### **1.3.1 Cash and cash equivalents**

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Bangladesh Bank and highly liquid financial assets which are subject to insignificant risk of changes in their fair value, and are used by the Bank management for its short term commitments.

##### **1.3.2 Loans, advances and lease / investments**

- a) Loans and advances are stated in the balance sheet on gross basis.
- b) Interest is calculated on a daily product basis but charged and accounted for on accrual basis. Interest on classified loans and advances is kept in suspense account as per Bangladesh Bank instructions and such interest is not accounted for as income until realized from borrowers. Interest is not charged on bad and loss loans as per guidelines of Bangladesh Bank. Records of such interest amount are kept in separate memorandum accounts.
- c) Commission and discounts on bills purchased and discounted are recognized at the time of realization.
- d) Provision for loans and advances is made on the basis of year-end review by the management following instructions contained in Bangladesh Bank BCD Circular no. 34 dated

16 November 1989, BCD Circular no. 20 dated 27 December 1994, BCD Circular no. 12 dated 4 September 1995, BRPD Circular no. 16 dated 6 December 1998, BRPD Circular no. 9 dated 14 May 2001, BRPD Circular no. 02 of 15 February 2005, BRPD Circular no. 09 of 20 August 2005, BRPD Circular no. 17 dated 06 December 2005 and BRPD circular no. 32 dated 27 October 2010. The provision rates are given below :

Particulars	Rate
General provision on unclassified general loans and advances	1%
General provision on unclassified small enterprise financing	1%
General provision on unclassified loans for housing finance, loans for professional to set-up business and loans to share business	2%
General provision on unclassified consumer financing other than housing finance, loan for professionals and loans to share business	5%
General provision on special mention account	5%
Specific provision on substandard loans and advances	20%
Specific provision on doubtful loans and advances	50%
Specific provision on bad / loss loans and advances	100%

- e) Loans and advances are written off to the extent that (i) there is no realistic prospect of recovery, (ii) and which have been classified as bad & loss for the last 05 years and for which 100 % provision have been kept as per BRPD circular # 02, dated January 13, 2003 of Bangladesh Bank. These write off however will not undermine / affect the claim amount against the borrower. Detailed memorandum records for all such write off accounts are meticulously maintained and followed up.
- f) Amounts receivable on credit cards are included in advances to customers at the amounts expected to be recovered.

- g) As per BRPD circular no. 5 dated 5 June 2006 & BRPD circular # 32, dated October 27, 2010 a general provision at 1% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained. However such general provision cannot satisfy the conditions of provision as per IAS 37. At the year end the company has recognized an accumulated general provision of Tk. 596.17 million in the balance sheet under liabilities as per Bangladesh Bank's requirement.

### 1.3.3 Investments

All investment securities are initially recognized at cost, being fair value of the consideration given, including acquisition charges associated with the investment. Premiums are amortized and discounts accreted, using the effective yield method and are taken to discount income. The valuation method of investments used are:

#### Held to Maturity (HTM)

Investments which have 'fixed or determinable payments', and are intended to be 'held to maturity', other than those that meet the definition of 'held at amortized cost-others' are classified as held to maturity. Investment (HTM)-BHBFC is shown in the financial statements at cost price.

#### Held for Trading (HFT)

Investments classified in this category are acquired principally for the purpose of selling or repurchasing -in short-trading or if designated as such by the management. After initial recognition, investments are measured at fair value and any change in the fair value is recognized in the statement of income for the period in which it arises. These investments are subsequently revalued at current market value on weekly basis as per Bangladesh Bank Guideline. Revaluation gain has been shown in revaluation reserve account & revaluation loss has been shown in Profit & Loss account.

**Value of investments has been enumerated as per DOS Circular no. 05 dated 26 May 2008 as follows :**

Items	Applicable accounting value
Government treasury bonds-HTM	Amortized value
Government treasury bonds-HFT	Market value
Prize bond	At cost
House Building Finance Corporation Debenture	At redeemable value
Shares (private)	At cost or market value at the Balance Sheet date whichever is lower

#### **Investment in listed securities**

These securities are bought and held primarily for the purpose of selling them in future or hold for dividend income. These are reported at cost. Unrealized gains are not recognized in the profit and loss account. But provision for diminution in value of investment has been made properly.

#### **Investment in unquoted securities**

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

#### **Other Investments**

Other investments like HBFC debenture & prize bond are also eligible for SLR, HBFC debentures are valued at redeemed value & prize bond are shown at cos.

As per BRPD circular no. 14 dated 25 June 2003 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investment as per DOS Circular # 04, dated 20 November 2011 of Bangladesh Bank, banks are allowed to kept provision by netting off unrealized gain or loss on the basic of market value of shares. As such the company measures and recognizes investment in quoted and unquoted shares at cost if the year end market value (for quoted shares) and book value (for unquoted shares) are higher than the cost. At the year-end the company's market value and book value of quoted and unquoted shares was higher than cost price by Tk. 22.55 crore. However as per requirements of BAS 39 investment in shares falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value at the year-end is taken to profit and loss account or revaluation reserve respectively.

According to DOS circular no.05 dated 26 May 2008 and subsequent clarification in DOS circular no. 05 dated 28 January 2009 loss on revaluation of Government securities (T-bill/T-bond) should be charged in profit and loss account, and gain on such revaluation should be recorded under Revaluation Reserve Account. At the year end the company has accumulated revaluation gain for T-bonds. However as per requirement of BAS 39, such T-bills and T-bonds will fall under the category of "held for trading" and "held to maturity" where any change in the fair value of held for trading is recognized in profit and loss account, and amortized cost method is applicable for held to maturity using an effective interest rate.

#### **1.3.4 Property, plant and equipment**

Property, plant & equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Bank and the cost of the assets can be reliably measured.

- All fixed assets are stated at cost less accumulated depreciation as per BAS-16 "Property, Plant and Equipment". The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition.
- The Bank recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the company.
- Depreciation is charged for the year at the following rates on reducing balance method on all fixed assets other than vehicles, software and all fixed assets of ATM related on which straight line depreciation method is followed :

Category of fixed assets	Rate	Method of Depreciation
Furniture and fixtures	10%	Reducing balance method
Machinery and Equipment	20%	Reducing balance method
Computer and Copier	20%	Straight line method
Vehicles (straight line)	25%	Straight line method
Leasehold buildings		Straight line method over the leasehold period

- d) For additions during the year, depreciation is charged for the remaining days of the year and for disposal depreciation is charged up to the date of disposal.
- e) On disposal of fixed assets, the cost and accumulated depreciation are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the income statement, which is determined with reference to the net book value of the assets and net sale proceeds.
- g) Leasehold floor area in Sholoshahar, Chittagong are treated as operating lease as the legal title of the floor area will not pass to the Bank at the end of the lease term thus the Bank has charged rentals to the income statement on a straight line basis over the lease term as per BAS 17.

### 1.3.5 Intangible assets

- a) An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably.
- b) Software represents the value of computer application software licensed for use of the Bank, other than software applied to the operation software system of computers. Intangible assets are carried at its cost, less accumulated amortization and any impairment losses.  
Initial cost comprises license fees paid at the time of purchase and other directly attributable expenditure that are incurred in customizing the software for its intended use.
- c) Expenditure incurred on software is capitalized only when it enhances and extends the

economic benefits of computer software beyond their original specifications and lives and such cost is recognized as capital improvement and added to the original cost of software.

- d) Software is amortized using the straight line method over the estimated useful life of 5 (five) years commencing from the date of the application software is available for use over the best estimate of its useful economic life.

### 1.3.6 Other assets

Other assets include all balance sheet accounts not covered specifically in other areas of the supervisory activity and such accounts may be quite insignificant in the overall financial condition of the Bank.

### 1.3.7 Receivables

Receivables are recognized when there is a contractual right to receive cash or another financial asset from another entity.

### 1.3.8 Inventories

Inventories measured at the lower of cost and net realizable value.

### 1.3.9 Leasing

Leases are classified as finance leases whenever the 'terms of the lease' transfer substantially all the risks and rewards of ownership to the lessee as per BAS-17 "Leases". All other leases are classified as operating leases as per BAS-17 "Leases". Operating lease are rental agreements and all installments are charged to the income statement.

### 1.3.10 Non-banking assets :

There are no assets acquired in exchange for loan during the period of financial statements.

### **1.3.11 Reconciliation of inter-bank and inter-branch account**

Accounts with regard to inter-bank (in Bangladesh and outside Bangladesh) are reconciled regularly and there are no material differences which may affect the financial statements significantly.

Un-reconciled entries / balances in the case of inter-branch transactions as on the reporting date are not material.

### **1.4 Share capital**

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

### **1.5 Statutory reserve**

Bank Companies Act, 1991 requires the Bank to transfer 20% of its current year's profit before tax to reserve until such reserve equals to its paid up capital.

### **1.6 Deposits and other accounts**

Deposits by customers and banks are recognized when the Bank enters into contractual provisions of the arrangements with the counterparties, which is generally on trade date, and initially measured at the consideration received.

### **1.7 Borrowings from other banks, financial institutions and agents**

Borrowed funds include call money deposits, borrowings, re-finance borrowings and other term borrowings from banks. They are stated in the balance sheet at amounts payable. Interest paid / payable on these borrowings is charged to the income statements.

### **1.8 Basis for valuation of liabilities and provisions**

#### **1.8.1 Provision for current taxation**

Provision for current income tax has been made as per prescribed rate in the Finance Ordinance, 2011 on the accounting profit made by the Bank after considering some of the add backs to income and disallowances of expenditure as per income tax laws in compliance with BAS-12 "Income Taxes".

#### **1.8.2 Provision for deferred taxation**

Deferred tax liabilities are the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amount of income taxes recoverable in future periods in respect of deductible temporary differences.

#### **1.8.3 Benefits to the employees**

The retirement benefits accrued for the employees of the Bank as on reporting date have been accounted for in accordance with the provisions of Bangladesh Accounting Standard-19, "Employee Benefit". Bases of enumerating the retirement benefit schemes operated by the Bank are outlined below:

##### **a) Provident fund**

Provident fund benefits are given to the permanent employees of the Bank in accordance with Bank's service rules. Accordingly a trust deed and provident fund rules were prepared. The Commissioner of Income Tax, Taxes Zone - 8, Dhaka has approved the Provident Fund as a recognized provident fund within the meaning of section 2(52), read with the provisions of part - B of the First Schedule of Income Tax Ordinance 1984. The recognition took effect from 30 September 1995. The Fund is operated by a Board of Trustees consisting at least five members. All confirmed employees of the Bank are contributing 10% of their basic salary as subscription to the Fund. The Bank also contributes equal amount of the employees' contribution. Interest earned from the investments is credited to the members' account on yearly basis.

##### **b) Gratuity fund**

The Bank made a provision of gratuity fund at the discretion of the management to provide an employee with financial benefit on his ceasing the Bank's service or in the event of his death to his legal heirs/nominees or successors, in respect of which provision is made annually covering all its permanent eligible employees.

##### **c) Benevolent Fund**

The benevolent fund is subscribed by monthly contribution of the employees. The Bank also

contributes to the fund @ 0.5% of profit at the end of the year. The fund is established to sanction grant in the event of death on duty, permanent disabilities of the employees and to provide financial assistance for marriage of his/her dependants.

#### **d) Superannuation Fund**

The Bank operates a contributory superannuation fund to give benefit to employees at the time of retirement and also cover group term life insurance. Employees are contributing to the fund monthly and the Bank also contributes a lump sum amount from the profit at the end of the year.

#### **e) Welfare fund**

The Bank has been maintaining a welfare fund from profit each year. This fund is utilized for various social activities as part of corporate social responsibility of the Bank.

#### **1.8.4 Provision for liabilities**

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

#### **1.8.5 Provision for Off-balance sheet exposures**

Off-balance sheet items have been disclosed under contingent liabilities and other commitments as per Bangladesh Bank guidelines. As per BRPD Circular # 10 dated 18 September 2007, banks are advised to maintain provision @1% against off-balance sheet exposures (L/C and Guarantee) in addition to the existing provisioning arrangement.

#### **1.8.6 Provision for nostro accounts**

As per instructions contained in the circular letter no. FEPD (FEMO) / 01 / 2005-677 dated 13 September 2005 issued by Foreign Exchange Policy Department of Bangladesh Bank, Banks are required to make provision regarding the unreconciled debit balance of nostro account for more than 3 months as on the reporting date in

these financials. Since there is no unreconciled entries which are outstanding more than 3 months then Bank's are not required to make provision.

### **1.9 Revenue recognition**

#### **1.9.1 Interest income**

In terms of the provisions of the BAS-18 "Revenue", the interest income is recognized on accrual basis. Interest on loans and advances ceases to be taken into income when such advances are classified. It is then kept in interest suspense. After the loans is classified as bad, interest ceases to apply and recorded in a memorandum account. Interest on classified advances is accounted for on a cash receipt basis.

#### **1.9.2 Investment income**

Interest income on investments is recognized on accrual basis. Capital gain on investments in shares is also included in investment income. Capital gain is recognized when it is realized.

#### **1.9.3 Fees and commission income**

Fees and commission income arising on services provided by the Bank are recognized on a cash basis. Commission charged to customers on letters of credit and letters of guarantee is credited to income at the time of effecting the transactions.

#### **1.9.4 Dividend income on shares**

Dividend income on shares is recognized during the period in which it is declared and ascertained.

#### **1.9.5 Interest paid and other expenses**

In terms of the provisions of BAS-1 "Presentation of Financial Statements" interest and other expenses are recognized on accrual basis.

#### **1.9.6 Dividend payments**

The proposed dividend for the year 2011 has not been recognized as a liability in the balance sheet in accordance with the BAS-10 : Events After the Balance Sheet Date.

Dividend payable to the Bank's shareholders is recognized as a liability and deducted from the shareholders' equity in the period in which the shareholders' right to receive payment is established.



## **1.10 Risk management**

The risk of BASIC Bank Limited is defined as the possibility of losses, financial or otherwise. The risk management of the Bank covers core risk areas of banking viz. credit risk, liquidity risk, market risk that includes foreign exchange risk, interest rate risk, equity risk, operational risk and reputation risk arising from money laundering incidences. The prime objective of the risk management is that the Bank evaluates and takes well calculative business risks and thereby safeguards the Bank's capital, its financial resources and profitability from various business risks through its own measures and through implementing Bangladesh Bank's guidelines and following some of the best practices as under:

### **1.10.1 Credit risk**

It arises mainly from lending, trade financing, leasing and treasury activities. 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. Separate credit divisions have been formed at head office since the inception of the Bank, which are assigned with duties of marketing and assessment of credit products, maintaining effective relationship with the customer and exploring new business opportunities. Another division naming Credit Administration Division (CAD) has also been established to oversee mainly documentation facilities. In line with Bangladesh Bank guidelines

the Bank has segregated marketing, approval and monitoring/recovery functions. The credit risk management includes borrower risk analysis, financial statement analysis, industry analysis, historical performance of the customer, security of the proposed credit facility and market reputation of the borrower etc.

The Bank takes its lending decision based on the credit risk assessment report by appraisal team. 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 the notes to the financial statements.

### **1.10.2 Liquidity risk**

The object 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 Treasury Division under approved policy guidelines. Treasury 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.

### **1.10.3 Market risk**

The exposure of market risk of the Bank is restricted to foreign exchange risk, interest rate risk and equity 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. No foreign exchange dealing on Bank's account was conducted during the year.

Treasury Division independently conducts the transactions 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 Mark-to-Market rate as determined by the bank as mid rate at the month end and the mid rate is being published by the Treasury Division of the Bank as per approved policy. All Nostro accounts are reconciled on a monthly basis and outstanding entry beyond 30 days 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 either from trading portfolio or non-trading portfolio. 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 Investment Committee under a well designed policy framework. The market value of equities held was however higher than the cost price at the balance sheet date.

#### **1.10.4 Reputation risk arising from money laundering incidences**

Money laundering risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering. Money laundering has been identified as a major threat to the financial services community. The management of the Bank has taken prevention of money laundering as part of their risk management strategies. Anti-Money laundering Guideline of the Bank was approved by the Board of Directors of the Bank in its 188th meeting held on 31 January 2006 and subsequently revised and got approved by the Board of Directors of the Bank in its 298 meeting

dated 11 October 2011. For mitigating the risks, the Bank has established a Central Anti-Money Laundering Compliance Unit (CCU). A Deputy Managing Director is acting as Chief Anti-Money Laundering Compliance Officer (CAMLCO) and Deputy General Manager of Establishment Division is working as a head of CCU who works under direct supervision CAMLCO. CCU continuously monitoring and reviewing all anti-money laundering issues. A senior level executive from each branch is working as a Branch Anti-Money Laundering Compliance Officer (BAMLCO). Sound Know Your Customer (KYC) and Transaction Monitoring Policies are in place to recognize the risk associated with accounts.

Bank has completed KYC procedures for the accounts opened prior 30 April 2002. It is the requirement of Bangladesh Bank to report cash transaction of above BDT 7 Lac in a single day in a single account and suspicious transaction as and when detected. ICT division of the Bank has developed software to report the same to Bangladesh Bank. Internal Control and Compliance policies have been implemented to check that an effective Anti-Money Laundering system is in force. Training is continuously given to all levels of Officers and Executives for developing awareness and skill for identifying suspicious activities/ transactions.

#### **1.10.5 Operational risk**

Operational risk may arise from error and fraud due to lack of internal control and compliance. Management through Internal Control and Compliance controls operational procedure of the Bank. Internal Control and Compliance Division periodical and special audit of the Branches and Divisions at Head Office for review of the operation and compliance of statutory requirements. The Audit Committee of the Board subsequently reviews the reports submitted after inspection of Branches and Division.

#### **1.10.6 Asset Liability management**

Asset Liability Management (ALM) is a risk management technique designed to earn an adequate return while maintaining a comfortable surplus of assets beyond liabilities. The scope of

ALM function can be described as liquidity risk management, management of market risks, trading risk management, funding and capital planning and profit planning and growth projection etc. Risks in ALM are :

**Interest Rate Risk :** It is the risk of having a negative impact on a bank's future earnings and on the market value of its equity due to changes in interest rates.

**Liquidity Risk :** It is the risk of having insufficient liquid assets to meet the liabilities at a given time.

**Foreign Exchange Risk :** It is the risk of having losses in foreign exchange assets and liabilities due to exchanges in exchange rates among multi-currencies under consideration.

The ALM committee usually makes decisions on financial direction of the Bank. The ALCO's goals are to manage the sources and uses of funds, identify balance sheet management issues like balance sheet gap, interest rate gap etc. ALCO also reviews liquidity contingency plan and implements liability pricing strategy for the Bank.

#### **1.11 ICT Risk Management**

ICT risk refers to the potential of ensuring harmful effects that an organization might suffer from intentional or unintentional threats to information and information technology systems. Managing ICT risk is part of running regular operation of the Bank now a day. Failure to manage ICT risk may lead to serious security breaches, financial losses and even business discontinuity. Hence, it is imperative that there should be a mechanism to identify, assess and mitigate ICT risk. BASIC Bank Limited, with the approval of the board, has adopted an ICT policy covering various aspects of ICT risk management. Based on the policy the Bank has taken necessary measures for mitigating ICT risk and impending hazards through implementing proper strategies and processes of identifying, appreciating, analyzing and assessing the same.

#### **1.12 Earnings per share**

##### **Basic earnings per share**

Basic earnings per share has been calculated in accordance with BAS 33 "Earnings per Share" which has been shown on the face of the profit and loss

account. This has been calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year.

##### **Calculation of weighted earnings per share**

The Bank issued bonus shares to existing shareholders. In order to reflect the bonus element, the number to be used in calculating basic earnings per share, for all periods prior to the bonus issue, is the number of ordinary shares outstanding prior to the bonus issue (time apportioned if necessary) and multiplied by adjusting factor.

#### **1.13 Events after the balance sheet date**

Where necessary, all the material events after the reporting period have been considered and appropriate adjustment / disclosures have been made in the financial statements.

#### **1.14 Directors' responsibility on statement**

The Board of Directors takes the responsibility for the preparation and presentation of these financial statements.

##### **Memorandum items**

Memorandum items are maintained to have control over all items of importance and for such transactions where the Bank has only a business responsibility and no legal commitment. Stock of travelers cheques, savings certificates, wage earners bonds and other fall under the memorandum items.

##### **Capital Expenditure Commitment**

There was no capital expenditure contracted but incurred or provided for at 31 December 2011 besides, there was no material capital expenditure authorized by the board but not contracted for at 31 December 2011.

#### **1.15 Subsequent Events**

There is no other significant event occurred between the Balance Sheet date and the date when the financial statements were authorized for issue by the Board of Directors

#### **1.16 Related party transaction**

Related party transaction is a transfer of resources, services or obligation between related parties, regardless of whether a price is charged.

## 1.17 Audit Committee

### Members of the Audit Committee of the Board of Directors :

Name	Status with the Committee	Educational Qualification
Mr. Shakhawat Hossain	Convener	M.A in Economics
Mr. Jahangir Akhand Salim	Member	M.A (Political Science), LL.B
Mr. Shubhashish Bose	Member	M.Com, MBA
Prof. Dr. Kazi Akhtar Hossain	Member	M.Com in Accounting, PhD
Mr. Md. Anwarul Islam, FCMA	Member	M.Com, MBA, FCMA

### Audit Committee Meeting held during 2011

- 37th Meeting of Audit Committee held on 26 January 2011
- 38th Meeting of Audit Committee held on 27 April 2011
- 39th Meeting of Audit Committee held on 05 October 2011

### 1.18 Steps Have Been Taken

As per guidelines enunciated in BRPD Circular No. 12 dated 23 December 2002 of Bangladesh Bank the Audit Committee of the Board of Directors of the Bank has been playing an important role with regard to the process of publication of financial statements and development of internal control systems for conducting banking operations efficiently and in a disciplined manner. Besides, pursuant to the instructions of the said circular the audit committee is placing its report to the Board of Directors of the Bank on its findings and recommendations acknowledging the background and purpose of constitution of the committee.

### 1.19 Compliance report on Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS)

The Institute of Chartered Accountants of Bangladesh (ICAB) is the sole authority for adoption of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). While preparing the financial statements, BASIC Bank applied all the applicable of IAS and IFRS as adopted by ICAB. Details are given below :

<b>Name of the BAS</b>	<b>BAS no</b>	<b>Status</b>
Presentation of Financial Statements	1	Applied
Inventories	2	Applied
Statement of Cash Flows	7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	8	Applied
Events after the balance sheet date	10	Applied
Construction Contracts	11	N/A
Income Taxes	12	Applied
Property, Plant and Equipment	16	Applied
Leases	17	Applied
Revenue	18	Applied
Employee Benefits	19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	20	N/A
The Effects of Changes in Foreign Exchange Rates	21	Applied
Borrowing Costs	23	N/A
Related Party Disclosures	24	Applied
Accounting and Reporting by Retirement Benefit Plans	26	Applied
Consolidated and Separate Financial Statements	27	N/A
Investments in Associates	28	N/A
Interests in Joint Ventures	31	N/A
Earnings per share	33	Applied
Interim Financial Reporting	34	Applied
Impairment of Assets	36	Applied
Provisions, Contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	Applied
Financial Instruments: Recognition and Measurement	39	N/A
Investment Property	40	N/A
Agriculture	41	N/A

### We followed Bangladesh Bank Guidelines instead of BAS-39

Name of the BFRS	BFRS no	Status
Share Based Payment	2	N/A
Business Combinations	3	N/A
Non-current Assets Held for Sale and Discontinued Operations	5	N/A
Exploration for and Evaluation of Mineral Resources	6	N/A
Financial Instruments: Disclosure	7	Applied
Operating Segments	8	Applied

#### 1.20 Approval of financial statements

The financial statements were approved by the Board of directors on 28 March 2012

#### 2.00 General

a) These financial statements are presented in Taka, which is the Bank's functional currency. Figures appearing in these financial statements have

been rounded off to the nearest Taka.

- b) The expenses, irrespective of capital or revenue nature, accrued / due but not paid have been provided for in the books of the Bank.
- c) Figures of previous year have been rearranged whenever necessary to conform to current years presentation.

		Amount in Taka	
		31.12.2011	31.12.2010
<b>3.</b>	<b>Cash</b>		
	Cash in hand (including foreign currencies) (note 3.1)	420,532,562	344,012,334
	Balance with Bangladesh Bank (note 3.2)	4,261,584,101	2,731,360,447
		<b>4,682,116,663</b>	<b>3,075,372,781</b>
<b>3.1</b>	<b>Cash in hand (including foreign currencies)</b>		
	In local currency	414,582,230	341,115,137
	In foreign currencies	5,950,332	2,897,197
		<b>420,532,562</b>	<b>344,012,334</b>
<b>3.2</b>	<b>Balance with Bangladesh Bank and its agent bank (s)</b>		
	In local currency (note 3.2.1)	3,892,588,270	2,687,277,987
	In foreign currency (note 3.2.2)	368,995,831	44,082,460
		<b>4,261,584,101</b>	<b>2,731,360,447</b>
<b>3.2.1</b>	<b>In Local currency</b>		
	Bangladesh Bank	3,765,242,249	2,595,609,918
	Sonali Bank (acting as agent of Bangladesh Bank)	127,346,021	91,668,069
		<b>3,892,588,270</b>	<b>2,687,277,987</b>
<b>3.2.2</b>	<b>In foreign currency</b>		
	Bangladesh Bank - US\$	360,784,586	37,520,761
	Bangladesh Bank - GBP	6,411,409	5,043,495
	Bangladesh Bank -EURO	1,799,836	1,518,204
		<b>368,995,831</b>	<b>44,082,460</b>
<b>3.2.2.1</b>	<b>Balance with Bangladesh Bank as per DB -5</b>	<b>3,782,498,000</b>	<b>2,689,323,000</b>

**Reason of difference between balance with Bangladesh Bank and DB-5 :**

The reason of difference between balance with Bangladesh Bank and DB-5 is that the balance of foreign currency clearing account is not shown in DB-5 statement. There were some entries passed by Bangladesh Bank on year ending date but we passed corresponding entries on later date after receiving advice from Bangladesh Bank.

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

Cash Reserve Ratio (CRR) and statutory Liquidity Ratio (SLR) have been calculated and maintained in accordance with section 33 of Bank Companies Act, 1991 and of instructions contained in BRPD circular no. 11 and 12 dated 25 August 2005 and MPD circular no. 04 dated 1st December 2010 issued by Bangladesh Bank.

The cash reserve requirement of the Bank calculated @6% of total time and demand liabilities and maintained with Bangladesh Bank in current account, 19% statutory liquidity ratio, including CRR on the same liabilities has also been maintained with Bangladesh Bank in the form of treasury bills, bonds and debentures including foreign currency balances with Bangladesh Bank. Both the resave maintained by the Bank are in excess of the statutory requirements as shown bellow :

	Amount in Taka	
	31.12.2011	31.12.2010
<b>3.3.1 Cash Reserve Ratio (CRR)</b> (6% of average demand & time liabilities)		
Required Reserve	3,573,313,000	2,708,759,000
Actual reserve held	3,644,729,000	2,740,225,000
<b>Surplus or (Deficit)</b>	<b>71,416,000</b>	<b>31,466,000</b>
<b>3.3.2 Statutory Liquidity Reserve (SLR)</b> (13% of average demand & time liabilities )		
Required reserve	7,742,178,000	5,868,978,000
Actual reserve held	8,670,513,000	6,867,263,000
<b>Surplus or (Deficit)</b>	<b>928,335,000</b>	<b>998,285,000</b>
<b>3.3.3 Total required reserve (19%)</b>		
Actual reserve held	11,315,491,000	8,577,737,000
<b>Surplus or (Deficit)</b>	<b>999,751,000</b>	<b>1,029,751,000</b>
<b>4.00 Balance with other banks &amp; financial institutions</b>		
In Bangladesh (note 4.1)	1,723,297,815	1,992,010,143
Outside Bangladesh (Nostro Accounts) <b>(Annexure -A)</b>	303,445,719	635,432,021
	<b>2,026,743,534</b>	<b>2,627,442,164</b>
<b>4.01 In Bangladesh</b>		
<b>a. Current account</b>		
Sonali Bank Limited	5,482,776	26,934,326
Agrani Bank Limited	5,020,867	14,521,858
Rupali Bank Limited	539,749	620,349
Janata Bank Limited	104,350	2,002,775
	<b>11,147,742</b>	<b>44,079,307</b>
<b>b. SND account</b>		
Sonali Bank Limited	25,427,306	25,871,020
Bangladesh Krishi Bank	4,005	526,712
Trust Bank Limited	1,591,919	3,578,289
Rupali Bank Limited	10,142,588	12,314,069
Agrani Bank Limited	6,173	7,663
	<b>37,171,991</b>	<b>42,297,753</b>
<b>c. Other deposits</b>		
Receivable from ICB Islami Bank	<b>154,978,082</b>	<b>155,633,082</b>
<b>d. Fixed deposits account</b>		
Bangladesh Commerce Bank Limited	350,000,000	-
IFIC Bank	320,000,000	



	Amount in Taka	
	31.12.2011	31.12.2010
BFIC	-	100,000,000
Premier Leasing	100,000,000	-
Prime Finance and Investment	100,000,000	-
First Lease Finance and Investment Limited	200,000,000	-
BIFC	150,000,000	100,000,000
Hajj Finance Company Limited	-	50,000,000
Uttara Fiancé and Investment	-	100,000,000
Lanka Bangla Finance	-	100,000,000
Peoples Leasing	200,000,000	150,000,000
Phonix Leasing and Finance	-	200,000,000
NHFI Limited	-	50,000,000
Union Capital	-	50,000,000
International Leasing and Finance	100,000,000	150,000,000
Jamuna Bank Limited	-	400,000,000
BRAC Bank Limited	-	300,000,000
<b>Sub Total</b>	<b>1,520,000,000</b>	<b>1,750,000,000</b>
<b>Total (a+b+c+d)</b>	<b>1,723,297,815</b>	<b>1,992,010,143</b>

Most of the fixed deposits are placed for short term maturities up to a period of 3 months and some fixed deposits are for the period of 6 months and 1 year at the approximate market rate.

#### 4.02 Outside Bangladesh (Nostro Accounts and Term Placement)

##### a. Interest-bearing accounts

Bank of Tokyo-Mitsubishi London	5,611,352	3,094,589
Bank of Tokyo Mitsubishi Japan	287,476	21,197,036
Mashreq Bank New York	17,458,439	61,206,806
Mashreq Bank India	452,970	10,064,753
CITI Bank Mumbai	87,155	304,180
Sonali Bank Kolkata	18,946,371	47,162,876
Sonali Bank Kolkata-EURO	230,811	641,133
Sonali Bank London	456,588	7,048,519
Sonali bank London-USD	733,911	-
Sonali Bank London(UKP)	3,334,034	4,255,423
Bank of Ceylon	10,531,186	3,759,917
CITI Bank New York (Export)	77,895,043	298,878,420
Standard Chartered Import New York	19,501,970	10,823,668
Standard Chartered Bank Mumbai	14,998,409	12,233,973
Standard Chartered Bank Frankfurt	4,707,593	40,394,836
ICICI Bank Ltd.	9,802,872	12,118,510
HSBC New York	33,089,097	52,563,811
Banque de Commerce, Geneva	1,695,071	1,323,321
Wachovia Bank N.Y.	-	954,569
Arif Habib Rupali Bank	449,600	311,112
<b>Sub Total</b>	<b>220,269,948</b>	<b>588,337,452</b>

	Amount in Taka	
	31.12.2011	31.12.2010
<b>b. Term Placement</b>		
Commercial Bank of Ceylon-Dhaka-Term	-	14,149,940
Eastern Bank Term(USD)	13,772,052	11,719,720
Eastern Bank Term(USD)	26,658,560	-
Eastern Bank Term(USD)	18,189,288	-
Eastern Bank Term(USD)	8,185,290	-
Commercial Bank of Ceylon-Term	16,370,580	21,224,910
<b>Sub Total</b>	<b>83,175,770</b>	<b>47,094,570</b>
<b>Total (a+b)</b>	<b>303,445,719</b>	<b>635,432,021</b>
<b>(Annexure - A may kindly be seen for details)</b>		
<b>4.03 Maturity grouping of balances with other banks &amp; financial institutions</b>		
On demand	231,417,691	632,416,759
Upto one month	1,257,171,990	732,444,924
Over one month but not more than three months	194,847,848	559,852,829
Over three months but not more than one year	188,327,923	547,094,570
Over one year but Inot more than five years	154,978,082	155,633,082
Over five years	-	-
	<b>2,026,743,534</b>	<b>2,627,442,164</b>
<b>5.00 Money at call and short notice</b>	<b>2,240,000,000</b>	<b>250,000,000</b>
<b>5.01 Classification of money at call &amp; short notice</b>		
Commercial Banks (note 5.1.1)	2,040,000,000	250,000,000
Financial Institutions (note 5.1.2)	200,000,000	-
	<b>2,240,000,000</b>	<b>250,000,000</b>
<b>5.1.1 Commercial Banks</b>		
National Bank of Pakistan	100,000,000	50,000,000
Mercantile Bank Limited	150,000,000	-
Uttara Bank Limited	600,000,000	-
Agrani Bank Limited	200,000,000	-
National Bank Limited	100,000,000	-
Sonali Bank Limited	400,000,000	-
Mutual trust Bank Limited	490,000,000	-
Arab Bangladesh Bank Limited	-	200,000,000
	<b>2,040,000,000</b>	<b>250,000,000</b>
<b>5.1.2 Financial Institutions</b>		
Union Capital	100,000,000	-
International Leasing	100,000,000	-
	<b>200,000,000</b>	-

		Amount in Taka	
		31.12.2011	31.12.2010
<b>6.00</b>	<b>Investments</b>		
	Government Securities (note 6.1)	9,304,513,931	6,506,731,752
	Other Investments (note 6.2)	189,569,065	169,700,086
		<b>9,494,082,996</b>	<b>6,676,431,838</b>
<b>6.01</b>	<b>Government Securities</b>		
	Treasury Bills and Reverse Repo (note 6.1.1)	-	-
	Treasury Bonds (note 6.1.2)	9,222,804,031	6,422,053,952
	Prize Bond	1,709,900	2,177,800
	Debenture (note 6.1.3)	80,000,000	82,500,000
		<b>9,304,513,931</b>	<b>6,506,731,752</b>
<b>6.1.1</b>	<b>Treasury bills and reverse repo (at revalued amount)</b>		
	05 years Government treasury bills	-	-
	02 years Government treasury bills	-	-
	364 days Government treasury bills	-	-
	364 days Reverse repo	-	-
	91 day Government treasury bills (at present value)	-	-
	28 days Government treasury bills	-	-
	01 day reverse repo-Bangladesh Bank	-	-
		-	-
<b>6.1.2</b>	<b>Treasury bonds (at revalued amount)</b>		
	Five years Government treasury bond	7,224,569,348	5,642,977,075
	Ten years Government treasury bond	1,490,192,624	270,761,835
	Fifteen years Government treasury bond	508,042,059	508,315,042
		<b>9,222,804,031</b>	<b>6,422,053,952</b>
<b>6.1.3</b>	<b>Debentures</b>		
	Twenty years HBFC debenture - 5.5%	10,000,000	12,500,000
	Mutual Trust Bank bond	70,000,000	70,000,000
		<b>80,000,000</b>	<b>82,500,000</b>
<b>6.2</b>	<b>Other Investments</b>		
	Shares (note 6.2.1)	189,534,065	169,700,086
	Investment others	35,000	-
		<b>189,569,065</b>	<b>169,700,086</b>
<b>6.2.1</b>	<b>Investment in shares</b>		
	<b>Quoted companies</b>		
	Shares in listed companies	151,193,415	146,664,986
	<b>Unquoted companies</b>		
	Karmasangsthan Bank Limited	10,000,000	10,000,000
	Preference Shares of Bangladesh Development company limited	21,000,000	-
	Grameen I.T. Park	4,201,760	4,201,760
	Central Depository Bangladesh Limited	3,138,890	8,833,340
		<b>189,534,065</b>	<b>169,700,086</b>

(Details of investment in shares may kindly be seen in annexure - B)

Amount in Taka	
31.12.2011	31.12.2010

### 6.3 Investment in securities are classified as per Bangladesh Bank circular

Held For Trading (HFT)	6,175,874,493	4,447,815,744
Held To Maturity (HTM)	3,046,929,538	1,974,238,208
	<b>9,222,804,031</b>	<b>6,422,053,952</b>

Treasury bond and treasury bills are categorized into HTM and HFT as per Bangladesh Bank circular. HTM securities are revalued at the end of the year and revaluation Loss/gain is shown in capital account. HFT securities are revalued weekly and gain on revaluation is shown as revaluation reserve under capital account. Securities are shown at revalued amount.

### 6.4 Assets pledged as security

Assets in the amounts shown below were pledged as security for the following liabilities

Liabilities to bank	-	-
Liabilities to customers	-	-
	-	-

We have no assets pledged, mortgaged or hypothecated against bank's borrowings.

### 6.5 Maturity Grouping of Investments

On demand	1,744,900	2,177,800
Upto one month	-	-
Over one month but not more than three months	-	-
Over three months but not more than one year	704,083,441	23,035,100
Over one year but not more than five years	6,710,019,972	5,789,642,061
Over five years	2,078,234,683	861,576,877
	<b>9,494,082,996</b>	<b>6,676,431,838</b>

### 7. Loans & advances

Loans, cash credits & overdrafts etc. (note 7.1)	54,266,599,661	43,257,526,832
Bills purchased & discounted (note 7.2)	2,618,158,224	3,083,986,672
	<b>56,884,757,885</b>	<b>46,341,513,504</b>

#### 7.1 Loans, cash credits & overdrafts etc.

##### In Bangladesh

Loans (note 7.1.1)	25,935,567,835	20,822,595,023
Cash credit	14,346,858,693	10,629,475,991
Overdraft (note 7.1.2)	6,279,490,073	4,022,853,609
Others (note 7.1.3)	7,704,683,060	7,782,602,209
	<b>54,266,599,661</b>	<b>43,257,526,832</b>

##### Outside Bangladesh

	-	-
	<b>54,266,599,661</b>	<b>43,257,526,832</b>

		Amount in Taka	
		31.12.2011	31.12.2010
<b>7.1.1</b>	<b>Loans</b>		
	Loan general	4,157,096,263	3,503,549,859
	Term loan	20,832,637,475	16,286,874,333
	Loan secured	72,562,301	-
	Others	873,271,796	1,032,170,831
		<b>25,935,567,835</b>	<b>20,822,595,023</b>
<b>7.1.2</b>	<b>Overdraft</b>		
	Temporary overdraft	195,977,620	54,206,639
	Overdraft secured mortgage	3,760,548,963	1,776,369,955
	Overdraft secured (other securities)*	2,322,963,490	2,192,277,014
		<b>6,279,490,073</b>	<b>4,022,853,609</b>
	★ Overdraft secured (other securities)	2,323,983,581	2,192,277,014
	Less Adjustment for wrongly charged Interest-Zinzabazar Branch	1,020,092	-
		<b>2,322,963,490</b>	<b>2,192,277,014</b>
<b>7.1.3</b>	<b>Others</b>		
	Loan against packing credit	984,630,795	763,633,272
	Payment against documents	879,206,006	199,006,125
	Loan against trust receipts	4,949,720,855	6,075,822,517
	Other short term advance	156,011,003	51,958,178
	Staff loan	733,651,230	645,509,435
	Loan against import merchandise	1,463,171	46,672,683
		<b>7,704,683,060</b>	<b>7,782,602,209</b>
<b>7.2</b>	<b>Bills purchased &amp; discounted</b>		
	<b>Payable in Bangladesh :</b>		
	Local bills purchased	2,228,148,433	2,593,050,695
	<b>Payable outside Bangladesh :</b>		
	Foreign bills purchased and discounted	390,009,791	490,935,976
		<b>2,618,158,224</b>	<b>3,083,986,672</b>
<b>7.3</b>	<b>Residual maturity grouping of loans including bills purchased and discounted</b>		
	Payable on demand	1,573,808,315	749,458,468
	Not more than three months	9,683,138,206	9,173,883,007
	Above three months but not more than one year	20,625,574,421	17,358,786,508
	Above one year but not more than five years	19,144,007,363	15,225,095,477
	Above five years	5,858,229,580	3,834,290,044
		<b>56,884,757,885</b>	<b>46,341,513,504</b>
<b>7.4</b>	<b>Loans on the basis of significant concentration including bills purchased &amp; discounted</b>		
	a. Advance to Directors	-	-
	b. Advances to Managing director and other senior executives	733,651,230	645,509,435
	c. Advances to customers group	22,828,101,655	17,918,111,069
	d. Advances to Industrial sector (note 7.4.1)	33,323,005,000	27,777,893,000
		<b>56,884,757,885</b>	<b>46,341,513,504</b>

		Amount in Taka	
		31.12.2011	31.12.2010
<b>7.4.1 Advances to industrial sectors</b>			
Food and allied industries	4,450,000,000	3,543,300,000	
Textile	6,684,300,000	6,313,600,000	
ERGM	3,652,000,000	3,230,400,000	
Accessories	1,129,400,000	1,018,200,000	
Jute Production and Allied Industries	3,211,200,000	3,389,200,000	
Forest production and allied Industries	54,900,000	66,100,000	
Paper, Board, Printing, Publication and Packaging	1,720,800,000	994,100,000	
Tannery leather and rubber production	926,600,000	927,400,000	
Chemical pharmaceutical and allied Industries	1,394,800,000	1,478,300,000	
Glass, Crmc. and other non Metal Production	219,100,000	160,700,000	
Engineering	2,058,005,000	1,289,400,000	
Electrical and electronics Industries	669,400,000	567,700,000	
Service industries	4,752,300,000	2,809,700,000	
Miscellaneous industries	90,300,000	823,093,000	
Industries not elsewhere classified	2,309,900,000	1,166,700,000	
	<b>33,323,005,000</b>	<b>27,777,893,000</b>	
<b>7.5 Loans and advances allowed to each customer exceeding 10% of bank's total equity</b>			
Number of customers	12	13	
Amount of outstanding loans	10,810,500,000	10,721,000,000	
Classified amount thereon	-	-	
Amount of recovery	-	-	
Loans and advances allowed to customers' group exceeding 10% of banks total capital fund which is computed of Tk. 61.11 crore of the bank as at 31 December 2011.			
<b>(Details are given in Annexure - C)</b>			
<b>7.6 Geographical location - wise loans and advances;</b>			
<b>Inside Bangladesh</b>			
Dhaka division	40,671,068,784	32,284,507,161	
Chittagong division	8,982,221,977	7,417,262,754	
Khulna division	2,695,990,948	1,894,406,322	
Rajshahi division	3,065,705,733	2,454,413,284	
Sylhet division	890,663,231	871,131,043	
Barisal division	166,625,319	132,804,599	
Rangpur division	412,481,893	1,286,988,340	
	<b>56,884,757,885</b>	<b>46,341,513,504</b>	
<b>Outside Bangladesh</b>	-	-	
	<b>56,884,757,885</b>	<b>46,341,513,504</b>	
<b>7.7 Distribution of loans and advances according to BRPD circular by Bangladesh Bank</b>			
<b>Unclassified loan</b>			
Standard	53,989,096,940	43,848,867,094	
SMA	406,890,840	252,678,180	
	<b>54,395,987,780</b>	<b>44,101,545,274</b>	

		Amount in Taka	
		31.12.2011	31.12.2010
<b>Classified loan :</b>			
Sub-standard		229,718,980	296,593,990
Doubtful		88,228,690	282,520,660
Bad and loss		2,171,842,530	1,660,853,580
<b>Sub Total</b>		<b>2,489,790,200</b>	<b>2,239,968,230</b>
<b>Total</b>		<b>56,885,777,980</b>	<b>46,341,513,504</b>
<b>7.8 Provision required for loans and advances</b>			
<b>Status</b>	<b>Base for Provision</b>	<b>Rate %</b>	
<b>Unclassified-General provision</b>			<b>Required Provision</b>
Agro based and Micro Credit	602,832,000	5	30,141,600
SMA	394,846,200	5	19,742,310
Others (excluding staff loan)	52,656,564,000	1 & 2	546,289,590
			<b>596,173,500</b>
<b>Classified-specific provision</b>			
Sub-standard	70,229,530	5 & 20	13,336,330
Doubtful	33,723,780	50	16,861,890
Bad/Loss	849,434,980	100	849,434,980
			<b>879,633,200</b>
Additional provision			14,743,316
Required provision for loans & advances			<b>1,490,550,016</b>
Total provision maintained			<b>1,490,550,016</b>
Excess / (Short) provision during the year			-
<b>7.9 Listing of assets Pledge as security/collaterals</b>			
<b>Nature of the secured assets :</b>			
Fixed assets			63,946,573,624
Cash and quasi-cash			2,318,258,846
Others			11,888,402,448
			<b>78,153,234,918</b>
<b>7.10 Particulars of Loans and Advances :</b>			
(i) Debts considered good in respect of which the banking company is fully secured.			54,353,665,087
(ii) Debts considered good for which the banking company holds no other security other than debtor's personal security.			2,354,942,235
(iii) Debts considered good secured by personal liabilities of one or more parties in addition to the personal security of the debtors.			176,150,563
(iv) Debts considered doubtful or bad not provided for.			-
			<b>56,884,757,885</b>
(v) Debts due by directors and officers of the banking company or any of them either severally or jointly with any other person.*			733,651,230
			<b>46,341,513,504</b>

	Amount in Taka	
	31.12.2011	31.12.2010
(vi) Debts due by companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or in the case of private companies, as members.	-	-
(vii) Maximum total amount of advances including temporary advances made at any time during the year to the directors or managers or officers of the banking company or any of them either severally or jointly with any other person.*	733,651,230	645,509,435
(viii) Maximum total amount of advances including temporary advances granted during the year to the companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or in the case of private company	-	-
(ix) Due from banking companies. Amount of classified debts on which interest has not been credited to income	2,896,681,040	2,239,968,230
(a-i) (Decrease)/ Increase in provision	76,466,436	97,606,429
(a-ii) Amount realized against loan previously written off	83,737,916	7,570,819
(b) Amount of provision kept against loan classified as bad/loss	849,434,980	610,305,100
(x) Cumulative amount of classified loans which is written off	688,783,000	587,707,402
(xi) Classified loans which is written off for current Year	101,075,598	-

There is no loans in the name of existing Directors. This amount represents loan to officers of the bank.

#### 7.11 Bills Purchased and Discounted

Payable in Bangladesh	2,228,148,433	2,593,050,695
Payable outside Bangladesh	390,009,791	490,935,976
	<b>2,618,158,224</b>	<b>3,083,986,671</b>

#### 7.11.1 Maturity grouping of bills purchased & discounted

Not more than one month	624,109,962	472,554,509
Above one month but not more than three months	914,277,457	1,408,796,305
Above three months but not more than six months	1,022,651,486	1,201,281,283
Above six months	57,119,319	1,354,574
	<b>2,618,158,224</b>	<b>3,083,986,671</b>

#### 8. Premises and fixed assets

##### Own assets

Furniture and fixtures	154,738,903	135,924,255
Equipment and computer	426,893,571	370,490,285
Vehicles	217,096,177	134,832,794
	<b>798,728,651</b>	<b>641,247,334</b>



	Amount in Taka	
	31.12.2011	31.12.2010
Less : Accumulated depreciation	437,669,926	361,578,983
	<b>361,058,725</b>	<b>279,668,350</b>
<b>Leased assets</b>		
Leasehold assets	4,000,000	4,000,000
Less: Accumulated depreciation	597,701	551,724
	<b>3,402,299</b>	<b>3,448,276</b>
	<b>364,461,024</b>	<b>283,116,626</b>

**A Schedule of Fixed Assets is given in Annexure-D.**

**9. Other Assets**

**i. Income generating**

	-	-
--	---	---

**ii. Non-Income generating**

a) Stationery, stamps, printing materials etc.	13,114,787	12,700,404
b) Advance rent;	90,079,736	44,257,894
c) Income receivable (note 9.2)	431,201,493	327,494,741
d) Advance income tax	371,185,148	344,587,168
e) Security deposits (note 9.1)	1,384,933	1,108,666
f) Suspense account (note 9.3)	14,019,454	11,622,523
g) Other prepayments	1,133,890	940,517
h) Advances/expenditures incurred against proposed branches	192,109,823	163,045,080
i) Advance for space of HO and Main Branch	466,666,667	400,000,000
j) Balance with Fakrul Islam securities	1,762,850	2,696,172
k) Due from branches-EDF	805,842	-
l) Branch adjustment account	127,602,818	383,828,289
m) Sundry debtors (note 9.4)	114,332,828	240,176,756
n) Subs fees of Dun Breadstreet	3,341,176	3,341,176
o) Deferred Tax Assets (note 36)	183,916,077	168,821,619
p) Position Clearing(Net)	-	-
q) Position General Ledger(Net)	326,912,406	210,888,757
	<b>2,339,569,927</b>	<b>2,315,509,761</b>

**9.1 Security deposits**

Security deposits, rent and other prepayments made to statutory authorities, other institutions and individuals are considered good.

**9.2 Income receivable**

Income receivable consists of interest income receivable from various investments have been verified and considered good.

**9.3 Suspense account**

Suspense account consists of DD paid without advice, clearing, petty cash etc.

**9.4 Sundry Debtors**

Protested bill, Main branch	6,535,881	6,535,881
Protested bill, Khatungonj branch	244,800	244,800
Protested bill, Khulna branch	416,367	416,367
BCCI-Bombay	1,399,580	1,399,580

	Amount in Taka	
	31.12.2011	31.12.2010
BCCI-London	704	611
Protested bill, SWIFT charges	20,244,921	20,244,921
	<b>28,842,253</b>	<b>28,842,160</b>
Others	85,490,575	211,334,596
	<b>114,332,828</b>	<b>240,176,756</b>

Full provision for the protested bill of BCCI and SWIFT charges has been made in the account and others included encashment of Sanchaypatras amount which will be adjusted after receiving Bangladesh Bank advice.

#### 10 Borrowing from other banks Including Financial Institutions & Agents

In Bangladesh (note 10.1)	1,293,427,511	1,391,196,871
Outside Bangladesh (note 10.2)	1,494,728,147	1,327,266,471
	<b>2,788,155,658</b>	<b>2,718,463,342</b>

#### 10.1 In Bangladesh(a+b)

##### a) Money at call and on short notice

Agrani Bank Ltd	-	-
Sonali Bank Ltd	-	-
<b>Sub total</b>	<b>-</b>	<b>-</b>

##### b) Other borrowing :

Bangladesh bank clearing account	-	106,073,028
<b>Sub total</b>	<b>-</b>	<b>106,073,028</b>

##### c) Term borrowing

Long term loan from Bangladesh Bank	55,319,000	82,978,000
Bangladesh Bank Refinance Loan for housebuilding	113,860,545	118,467,939
Loan from Bangladesh Bank under EDF scheme	805,842	696,531
Government Placement for Agro based Industries	1,123,442,124	1,082,981,373
<b>Sub total</b>	<b>1,293,427,511</b>	<b>1,285,123,843</b>
<b>Grand total</b>	<b>1,293,427,511</b>	<b>1,391,196,871</b>

#### 10.2 Outside Bangladesh

##### Term Borrowing

Loan for micro credit and small scale Industries (KFW, Germany)	200,274,147	184,742,670
Agro business development Project of ADB	1,294,454,000	1,142,523,801
	<b>1,494,728,147</b>	<b>1,327,266,471</b>

##### Secured and unsecured borrowing from other banks

Secured (Assets pledged as security for liabilities)		
Unsecured	2,788,155,658	2,718,463,342
	<b>2,788,155,658</b>	<b>2,718,463,342</b>

		Amount in Taka	
		31.12.2011	31.12.2010
<b>10.3 Overall transaction of Repo and Reverse Repo :</b>			
	<b>Minimum outstanding during the year</b>	<b>Maximum outstanding during the year</b>	<b>Maximum outstanding during the year</b>
<b>Securities sold under repo :</b>			
i) with Bangladesh Bank	-	-	208,899,881
ii) with other banks & financial institutions	-	-	286,120,911
<b>11. Deposits &amp; other accounts</b>			
Non-Interest bearing accounts (note 11.1)		3,984,512,274	5,484,159,992
Interest bearing accounts (note 11.2)		58,666,222,500	43,775,440,851
		<b>62,650,734,774</b>	<b>49,259,600,843</b>
<b>11.1 Non-Interest bearing accounts</b>			
Current and other accounts (note 11.1.1)		3,392,646,221	4,887,144,405
Bills payable (note 11.1.2)		591,866,053	597,015,587
		<b>3,984,512,274</b>	<b>5,484,159,992</b>
<b>11.1.1 Current and other accounts</b>			
Current account		1,518,792,326	1,775,489,401
Margin/sundry deposit		1,873,853,895	3,111,655,004
		<b>3,392,646,221</b>	<b>4,887,144,405</b>
<b>11.1.2 Bills payable</b>			
Payment order		556,342,175	531,468,666
Demand draft		35,523,878	65,546,921
		<b>591,866,053</b>	<b>597,015,587</b>
<b>11.2 Interest bearing account</b>			
Savings bank deposits		1,496,282,507	1,328,222,087
Fixed deposits (note 11.2.1)		57,164,537,289	42,447,218,764
Current deposit		5,402,704	
		<b>58,666,222,500</b>	<b>43,775,440,851</b>
<b>11.2.1 Fixed deposits &amp; SND</b>			
Short notice deposits		6,177,898,653	6,539,861,239
Term deposits		50,800,704,331	35,829,291,395
Other deposit scheme		185,934,305	78,066,130
		<b>57,164,537,289</b>	<b>42,447,218,764</b>
<b>11.3 Maturity grouping of deposits and other accounts</b>			
<b>Deposits from Bank</b>			
Payable on demand		100,451,006	14,492,000
Less than one month		-	-
Above one month but not more than six months		650,000,000	-
Above six months but not more than one year		-	-
Above one year but not more than five years		-	-
Above five years but not more than ten years		-	-
Above ten years		-	-
		<b>750,451,006</b>	<b>14,492,000</b>

	Amount in Taka	
	31.12.2011	31.12.2010
<b>Other Deposits</b>		
Payable on demand	3,793,645,573	3,006,533,254
Less than one month	7,218,844,928	6,388,165,757
Above one month but not more than six months	13,654,771,488	16,938,119,010
Above six months but not more than one year	31,477,597,641	15,222,971,322
Above one year but not more than five years	4,480,447,737	7,656,078,867
Above five years but not more than ten years	1,274,976,401	33,240,632
Above ten years	-	-
	<b>61,900,283,768</b>	<b>49,245,108,842</b>
	<b>62,650,734,774</b>	<b>49,259,600,842</b>
<b>12. Other liabilities</b>		
Interest payable on borrowing	111,847,510	107,789,518
Interest payable on deposits	2,428,778,514	1,258,523,117
Provision for loan and advances (note 12.1 & 12.2)	1,490,550,016	1,228,730,140
Provision for off- balance sheet exposures (note 12.3)	156,182,580	212,001,430
Suspense interest (note 12.4)	419,898,470	361,342,695
Privileged creditors	99,104,053	114,156,015
Provision for incentive bonus (note 12.6)	201,706,222	170,691,631
Benevolent fund	13,115,734	10,834,708
Gratuity fund (note 12.7)	416,499,266	343,898,718
Sundry creditors	29,969,162	20,224,145
Telephone and telex charges payable	646,854	703,662
Expenses payable	7,275,044	7,231,148
Provision for taxes (note 35)	1,388,442,359	1,007,428,915
Miscellaneous creditors	117,067	77,269
Provision for sundry debtors	7,782,258	7,782,258
Deposit insurance premium payable	3,538,788	-
Provision for investment	9,142,148	9,142,148
Provision for depreciation	-	1,644,817
Excess cash	13,912	45,991
Other provision	6,314,931	-
Provision for swift	21,063,039	21,063,039
Provision for superannuation fund	3,500,000	5,000,000
Provision for welfare fund	14,253,367	14,553,367
Provision for electricity expenses	1,071,668	683,632
Clearing	-	-
Provision for advertisement	-	4,142,614
Provision for fuel	-	-
Exchange equalization fund	-	-
Printing stationary	-	19,093
Various audit and rating fees	680,526	290,050
Position clearing(Net)*	279,589,688	208,886,420
	<b>7,111,083,175</b>	<b>5,116,886,539</b>

\*Under multi currency concept an organization maintains different statement of affairs for each currency it deals in including base (BDT) currency and one consolidated statement of affairs of all currencies converted into base currency. In the consolidated affairs all the assets and liabilities in foreign currencies are converted in base currency and presented with other assets and liabilities in base currency. This consolidated affairs reflects the overall position of the bank expressed in base currency. Two GL are

Amount in Taka	
31.12.2011	31.12.2010

maintained in the bank to account any foreign currency transaction. These GLs are Position GL for foreign currency position and Position Clearing GL . Position GL, accounts for original currency units other than base currency and Position Clearing GL accounts for corresponding value of foreign currency converted into base currency. Position, from the treasury point of view, means the available funds in different currencies with which the bank can trade. As value of any currency undergo change, Position in that currency need to be evaluated from time to time and necessary adjustments are made through these GLs.

**12.1 a Provision for classified loan**

Opening balance	734,544,770	523,394,422
Fully provided debt written off/interest waived	(142,528,354)	(122,085,197)
Recovery from earlier written off loan	-	-
Special provision for current year	-	-
Provision not required	-	-
Provision made during the year	302,360,100	333,235,545
<b>Closing balance</b>	<b>894,376,516</b>	<b>734,544,770</b>

**12.2. b Provision for unclassified Loan**

Opening balance	494,185,370	379,057,735
Provision not required	-	-
Provision made during the year	101,988,130	115,127,635
<b>Closing balance</b>	<b>596,173,500</b>	<b>494,185,370</b>
<b>Total (a + b)</b>	<b>1,490,550,016</b>	<b>1,228,730,140</b>

**12.3. c Provision for off- balance sheet items**

Opening balance	212,001,430	146,404,350
Provision not required	(55,818,850)	-
Provision made during the year	-	65,597,080
<b>Closing balance</b>	<b>156,182,580</b>	<b>212,001,430</b>
<b>Total provision (a+b+c)</b>	<b>1,646,732,596</b>	<b>1,440,731,570</b>

**12.4 Interest suspense**

Opening balance	361,342,695	255,211,243
Transferred during the year	256,425,252	179,874,051
Recovery during the year	(169,672,789)	(72,809,746)
Suspense written off/waived during the year	(28,196,689)	(932,853)
<b>Closing balance</b>	<b>419,898,470</b>	<b>361,342,695</b>

12.5 Branch adjustments account represents outstanding inter branch and head office transaction (Net) originated. The un - responded entries of 31.12.11 are given below :

Particulars	Debit entries		Credit entries	
	No. of entries	Amount in Tk.	No. of entries	Amount in Tk.
Up to three months	101	403,568	109	320,461
Over three month but within six months	-	-	-	-
Over six month but within one year	-	-	-	-
Over one year but within five years	-	-	-	-

		Amount in Taka	
		31.12.2011	31.12.2010
<b>12.6</b>	<b>Provision for incentive bonus</b>		
	Opening balance	170,691,631	94,719,539
	Less: adjusted/paid during the year	(140,720,500)	(76,151,029)
	Add: Provision made for the current year	171,735,091	152,123,121
	<b>Closing balance</b>	<b>201,706,222</b>	<b>170,691,631</b>
<b>12.7</b>	<b>Gratuity fund</b>		
	Opening balance	343,898,718	208,242,191
	Less : Adjusted/paid during the year	(13,361,088)	(5,381,310)
	Add : Provision made for the current year	85,961,636	141,037,837
	<b>Closing balance</b>	<b>416,499,266</b>	<b>343,898,718</b>
<b>13.</b>	<b>Capital :</b>		
<b>13.1</b>	<b>Authorized capital :</b>		
	50,000,000 ordinary shares in 2011 and 20,000,000 ordinary shares in 2010 of Tk 100.00 each	<b>5,000,000,000</b>	<b>2,000,000,000</b>
<b>13.2</b>	<b>Issued and fully paid up capital :</b>		
	The Issued, subscribed and paid up capital of the bank as follows :		
	Ordinary shares of Tk. 100.00 each	<b>2,357,586,000</b>	<b>1,964,655,000</b>
	The Government of People's Republic of Bangladesh is the sole owner-shareholder of the bank and all the ordinary shares are vested with the Ministry of Finance.		
<b>13.3</b>	<b>Capital adequacy ratio</b>		
	The calculation of CAR has been done as per BRPD Circular No. 10 dated 10 March 2010 and the BASEL-II guideline in December 2010 vide BRPD circular no. dated 29 December 2010. Required capital of the Bank at the close business on 31 December 2011 was Taka 603,0450,000 as against available core capital of Taka 5,235,448,935 and supplementary capital of Taka 875,510,824 making total capital of Taka 6,110,959,759 thereby an excess of capital of Taka 80,509,759 at that date		
	<b>Core capital (Tier - I)</b>		
	Paid up capital	2,357,586,000	1,964,655,000
	Statutory reserve	2,224,690,642	1,824,692,334
	General reserve/capital reserve	40,000,000	40,000,000
	Retained earnings	613,172,293	429,988,786
		<b>5,235,448,935</b>	<b>4,259,336,120</b>
	<b>Supplementary capital (Tier - II)</b>		
	General provision maintained against unclassified loan	596,173,500	494,185,370
	Provision for off -balance sheet items	156,182,580	212,001,430
	Revaluation reserve of HTM and HFT securities	123,154,744	107,549,915
		<b>875,510,824</b>	<b>813,736,715</b>
	<b>A. Total eligible capital (Tier-I + Tier-II)</b>	<b>6,110,959,759</b>	<b>5,073,072,835</b>
	<b>B. Risk weighted assets</b>		
	Balance sheet business	54,072,200,000	48,977,900,000
	Off- balance sheet	6,232,300,000	4,929,100,000
	<b>Total risk-weighted assets</b>	<b>60,304,500,000</b>	<b>53,907,000,000</b>

		Amount in Taka	
		31.12.2011	31.12.2010
<b>C. Required capital on risk weighted assets</b> (10% on total risk weighted assets)		<b>6,030,450,000</b>	<b>4,851,630,000</b>
<b>D. Capital Surplus / (Shortfall) [A-C]</b>		<b>80,509,759</b>	<b>221,442,835</b>
<b>Total Capital Ratio (%)</b>		<b>10.13</b>	<b>9.41</b>
<b>Capital Requirement</b>	<b>Held (%)</b>		<b>Held (%)</b>
Core capital (Tier-I)	8.68		7.90
Supplementary capital (Tier - II)	1.45		1.51
<b>Total</b>	<b>10.13</b>		<b>9.41</b>
<b>14. Statutory Reserve</b>			
Opening balance at the beginning of the year	1,824,692,333	1,559,657,252	
Add: Addition during the year	399,998,309	265,035,082	
Closing balance at the end of the year	<b>2,224,690,642</b>	<b>1,824,692,334</b>	
As per section 24 of Bank Companies Act 1991, 20% of pre-tax profit has been transferred to statutory reserve account.			
<b>15 Other Reserve</b>			
General reserve (note 15.1)	40,000,000	40,000,000	
Investment revaluation reserve (note 15.2)	246,309,487	215,099,831	
	<b>286,309,487</b>	<b>255,099,831</b>	
<b>15.1 General Reserve</b>			
Opening balance at the beginning of the year	40,000,000	40,000,000	
Add: Addition during the year	-	-	
Closing balance at the end of the year	<b>40,000,000</b>	<b>40,000,000</b>	
The Bank has been maintaining this reserve as venture capital fund since 1999 for equity support to innovative but risky project.			
<b>15.2 Investment Revaluation Reserve (Treasury Bills &amp; Treasury Bonds)</b>			
Revaluation reserve for:			
Held to Maturity (HTM) (note 15.2.1)	(22,615,100)	(11,469,204)	
Held for Trading (note 15.2.2)	268,924,587	226,569,035	
	<b>246,309,487</b>	<b>215,099,831</b>	
<b>15.2.1 Revaluation Reserve for Held to Maturity (HTM)</b>			
Opening Balance	(11,469,204)	-	
Add : Addition during the year	5,164	-	
Adjustment (Loss on revaluation/amortization) during the year	(11,151,060)	(11,469,204)	
<b>Closing balance at the end of the year</b>	<b>(22,615,100)</b>	<b>(11,469,204)</b>	
<b>15.2.2 Revaluation Reserve for Held for Trading (HFT)</b>			
Opening balance at the beginning of the year	226,569,035	326,687,077	
Add: Addition during the year	42,355,552	27,559,607	
Adjustment (Loss on revaluation/amortization) during the year	-	(127,677,649)	
Closing Balance at the end of the year	<b>268,924,587</b>	<b>226,569,035</b>	

		Amount in Taka	
		31.12.2011	31.12.2010
<b>16.</b>	<b>Retained earnings</b>		
	Balance as on 1st January	429,988,786	543,442,599
	Change in accounting policy (Deferred tax effect upto 2004)	-	-
	Profit during the year	576,114,507	395,901,187
	Transferred to other reserve	-	-
	Cash dividend paid during the year	-	-
	Issuance of bonus share for 2010	(392,931,000)	(509,355,000)
		<b>613,172,293</b>	<b>429,988,786</b>
<b>16.1</b>	<b>Item-Wise Profit and Loss Account</b>		
	<b>Income :</b>		
	Interest, discount and similar income	7,849,724,616	4,980,870,303
	Dividend income	913,501	7,698,339
	Fees, commission and brokerage	355,527,272	287,080,821
	Gains less losses arising from dealing in foreign currencies	429,821,813	355,495,971
	Income from non-banking assets	-	-
	Other operating income	189,232,500	476,671,354
		<b>8,825,219,702</b>	<b>6,107,816,788</b>
	<b>Expenses :</b>		
	Interest, fee and commission	4,911,660,920	3,033,562,579
	Losses on loans and advances	-	-
	Administrative expenses	999,236,317	883,327,579
	Other operating expenses	486,112,793	406,306,983
	Depreciation on banking assets	79,688,746	67,569,180
		<b>6,476,698,776</b>	<b>4,390,766,320</b>
	<b>Profit before tax and provision</b>	<b>2,348,520,926</b>	<b>1,717,050,468</b>
<b>17.</b>	<b>Contingent Liabilities</b>		
	Letters of Guarantee (note 17.1)	1,823,215,099	1,350,964,214
	Local Bills for Collection	7,264,750	37,471,365
	Foreign Bills for Collection	863,071,050	874,240,877
	Acceptances	5,458,254,177	5,367,167,387
	Letters of Credit	7,141,464,587	13,485,802,046
	Back to Back L/C	1,195,324,550	996,209,365
	Travellers Cheques Stock	1,175,902	466,674
	Value of Wage Earners Bond in hand and others	55,752,914	49,150,203
		<b>16,545,523,029</b>	<b>22,161,472,129</b>
<b>17.1</b>	<b>Letters of guarantee</b>		
	A. Claim against the Bank which is not recognized as Loan		
	B. Money for which the Bank is contingently liable in respect of guarantees favoring :		
	Directors	-	-
	Government	882,544,986	-
	Bank and Other Financial Institutions	1,415,115	9,025,175
	Others	939,254,998	1,341,939,039
		<b>1,823,215,099</b>	<b>1,350,964,214</b>



		Amount in Taka	
		31.12.2011	31.12.2010
<b>18. Interest Income</b>			
Interest on Loans/from Clients	6,517,144,190	3,925,746,571	
Interest from Banks and Financial Institutions	581,015,866	533,322,559	
Interest from Foreign Banks	1,867,422	60,708	
	<b>7,100,027,478</b>	<b>4,459,129,838</b>	
Less : Interest waiver	-	122,085,197	
	7,100,027,478	4,337,044,641	
Less : Adjustment for interest inadvertently charged- Zindabazar Br.	1,020,092	-	
	<b>7,099,007,386</b>	<b>4,337,044,641</b>	
<b>19. Interest Paid on Deposits &amp; Borrowings</b>			
On Fixed Deposit	4,180,594,101	2,560,949,329	
On Short Notice Deposit	435,313,121	236,670,324	
On Savings Bank Deposit	75,506,443	60,288,273	
Other Deposit schemes	11,329,209	3,517,685	
On Borrowing from Bangladesh Bank and Other Financial Institutions	208,918,046	172,136,968	
	<b>4,911,660,920</b>	<b>3,033,562,579</b>	
<b>20. Income from Investment</b>			
Government Treasury Bill and Bond (note 20.1)	748,709,080	642,379,909	
Debentures	1,712,452	1,445,754	
Dividend on shares	913,501	7,698,339	
Other investments	295,698	-	
	<b>751,630,731</b>	<b>651,524,002</b>	
<b>20.1 On Government Treasury Bill and Bond</b>			
Interest on GT bill	-	-	
Interest on Govt. bond	748,709,080	639,575,994	
Interest on Reverse repo	-	2,803,915	
Gain on sale of security	-	-	
Gain on portfolio transfer	-	-	
<b>Total</b>	<b>748,709,080</b>	<b>642,379,909</b>	
<b>21. Commission / Fees, Exchange Earnings &amp; Brokerage</b>			
Foreign bill purchased	3,360,444	1,601,656	
Local Bill Purchased	7,160,924	5,540,246	
Remittance	4,784,982	6,381,465	
Letters of guarantee	41,793,607	31,097,957	
Letters of credit	195,270,416	165,695,180	
Bills for collection	11,853,873	7,981,691	
Acceptances	63,833,901	48,111,472	
Export Bill	5,871,532	4,896,568	
Miscellaneous (includes commission on sale of PSP,TC)	21,597,593	15,774,585	
	<b>355,527,272</b>	<b>287,080,821</b>	
Exchange gain (net off)	429,821,812	355,495,972	
	<b>785,349,085</b>	<b>642,576,792</b>	
<b>21.1 Exchange gain net of exchange loss</b>			
Profit on exchange trading	730,998,422	368,223,009	
Less : Loss on exchange trading	301,176,610	12,727,037	
	<b>429,821,813</b>	<b>355,495,971</b>	

Note : Exchange gain/profit (loss) on exchange trading has been net off in 2011 which was shown separately in note no. 21 & 32 of the financial statements -2010

		Amount in Taka	
		31.12.2011	31.12.2010
<b>22.</b>	<b>Other Operating Income</b>		
	Various Fees	4,828,363	5,558,258
	Rent (Go-down and locker)	625,005	712,150
	Miscellaneous/ Recovery of Telex/ swift Charges	31,972,501	34,471,681
	Service Charges	37,414,617	28,434,459
	Recoveries of Loan Previously Write Off	83,737,916	7,570,819
	Profit on Repo trading	-	126,714,724
	Profit on Sale of Fixed Assets	24,118	5,514,146
	Extra ordinary gain (Exchange equalization)	-	6,925,384
	Miscellaneous income	21,778,208	22,637,164
	Non-operating income (profit on sale of shares)	8,851,772	238,132,569
		<b>189,232,500</b>	<b>476,671,354</b>
<b>23.</b>	<b>Salary and Allowances</b>		
	Salaries	298,830,089	235,246,344
	Allowances	347,945,884	273,298,328
	Provident Fund	23,417,217	19,367,663
	Pension Fund	-	34,805
	Benevolent Fund	13,115,734	10,834,708
	Gratuity Fund	85,961,636	141,171,598
	Bonus	220,807,269	192,174,133
	Superannuation Fund	3,500,000	5,000,000
		<b>993,577,829</b>	<b>877,127,579</b>
<b>24.</b>	<b>Rent, Taxes, Insurance, Lighting Etc.</b>		
	Rent	78,074,642	64,498,830
	Rates, Taxes and VAT	2,938,714	1,324,134
	Utilities/Electricity and Heating	15,609,488	13,803,033
	Insurance	11,896,493	6,342,182
		<b>108,519,337</b>	<b>85,968,179</b>
<b>25.</b>	<b>Legal &amp; professional expenses</b>		
	Professional fees	1,496,303	431,334
	Stamps and court fees	4,279,382	3,704,393
		<b>5,775,685</b>	<b>4,135,727</b>
<b>26.</b>	<b>Postage, stamp , telecommunication Etc.</b>		
	Postage	219,296	95,739
	Telephone	8,366,994	7,169,015
	Fax	23,688	31,148
	Stamp	58,430	70,480
	Internet and E-mail	11,405,584	10,221,916
	Courier Services	7,828,512	5,728,392
	Swift Subscription and cable Charges	4,931,442	4,536,523
		<b>32,833,946</b>	<b>27,853,213</b>

		Amount in Taka	
		31.12.2011	31.12.2010
<b>27.</b>	<b>Stationery, Printing, Advertisement Etc.</b>		
	Security Stationery	1,367,799	2,087,028
	Printing Stationery	10,857,782	7,506,600
	Other Stationery	13,476,430	8,468,700
	Publicity, Advertisement and publication	16,884,744	12,709,991
		<b>42,586,755</b>	<b>30,772,319</b>
<b>28.</b>	<b>Managing Director's Salary</b>		
	Basic Salary	2,116,223	2,400,000
	Allowances	2,179,770	2,400,000
	Bonus	1,362,495	1,400,000
		<b>5,658,488</b>	<b>6,200,000</b>
<b>29.</b>	<b>Directors' Fees &amp; Meeting Expenses</b>		
	Board meeting and audit committee meeting	1,727,479	1,140,000
	Other meeting fees/benefits	-	-
		<b>1,727,479</b>	<b>1,140,000</b>
<b>30.</b>	<b>Depreciation of Bank's Assets</b>		
	<b>Depreciation on own Assets</b>		
	Furniture and Fixture	8,135,100	7,599,942
	Machinery and Equipment	45,344,734	46,627,172
	Vehicles	26,162,935	13,296,089
		<b>79,642,769</b>	<b>67,523,203</b>
	<b>Depreciation on Leased Assets</b>		
	Lease Equipment/ Assets	45,977	45,977
		<b>79,688,746</b>	<b>67,569,180</b>
<b>31.</b>	<b>Repair &amp; Maintenance of Bank's Assets</b>		
	Furniture and Fixture	2,409,709	1,152,324
	Machinery and Equipment	9,549,431	9,776,365
	Vehicles	8,055,113	5,142,875
	Rented Premises	3,977,554	3,752,222
		<b>23,991,807</b>	<b>19,823,786</b>
<b>32.</b>	<b>Other Expenses</b>		
	Discount	120	2,723
	Commission and Brokerage	246,143	448,166
	Entertainment	26,928,628	18,355,550
	Car Expenses	15,444,568	11,897,174
	Subscription	3,938,834	2,337,766
	Travelling	9,381,087	7,636,017
	Cartage and Freight	415,997	-
	Computer Expenses	-	9,578,035
	ITC expenses	27,855,137	10,261,500
	Uniform and Liveries	2,713,060	-
	Staff Training and HR development Expenses	4,431,423	4,651,019
	Donation	2,743,000	20,156,000
	Welfare Fund	-	10,000,000
	Loss on revaluation of HFT securities	138,761,897	116,732,662
	Other Audit Fee	-	25,675
	Corporate Social Responsibility Expenses	29,956,043	-

	Amount in Taka	
	31.12.2011	31.12.2010
Price erosion of shares	-	8,810,258
Various Committee Members Fees and Allowances	-	235,500
Miscellaneous	7,195,342	6,087,806
Non-operating loss (loss on sale of investment and fixed assets)	8,605	9,162,783
	<b>270,019,885</b>	<b>236,378,633</b>

Note : Loss on exchange trading Tk. 1,27,27,037 included in other expenses in 2010 has been net off with exchange gain (note-21.1) and hence exchange gain and other expense for 2010 has been restated in the Financial Statement of 2011.

**33. Provision for loans & advances**

Classified loans & advances (note 12.1)	302,360,100	333,235,545
Unclassified loans & advances (note 12.2)	101,988,130	115,127,635
	<b>404,348,230</b>	<b>448,363,180</b>

**34. Provision for off-balance sheet exposures**

A provision of Tk. 156,182,580 has been maintained @ 1.00% on off balance sheet exposure (Acceptance & Endorsement, Letter of Credit & Letter of Guarantee). However for the year ended as on 31 December 2011 Tk. 55,818,850 has been reversed during the year from existing provision for off Balance sheet as provision requirement has been decreased due to decrease of Off Balance Sheet exposure as per BRPD Circular # 10 dated 18 September 2007. The total amount of provision of Tk. 156,182,580 will be treated as Supplementary Capital of the Bank.

**35. Provision for Tax**

Opening balance	1,007,428,915	893,553,601
Add : Provision made for current year's tax	1,038,973,188	723,274,196
Adjustment made during the year	(657,959,744)	(609,398,882)
	<b>1,388,442,359</b>	<b>1,007,428,915</b>

**36. Deferred Tax**

**a) Computation of Deferred Tax**

Tax Base of Depreciable Fixed Assets	357,406,486	287,983,663
Less: Carrying Amount	361,058,726	264,046,637
Deductable Temporary Difference (A)	<b>(3,652,240)</b>	<b>23,937,026</b>
Carrying Amount of Provision for Gratuity/Benevolent/Superannuation Fund :		
Provision for Gratuity	416,499,266	343,898,718
Provision for Benevolent Fund (Provision -actual payment)	11,746,685	23,341,595
Provision for Superannuation Fund (Provision -actual payment)	8,150,000	6,050,000
	<b>436,395,951</b>	<b>373,290,313</b>
Less : Tax Base	-	-
Deductable Temporary Difference (B)	<b>436,395,951</b>	<b>373,290,313</b>
Total Deductable Temporary Difference (A+B)	<b>432,743,711</b>	<b>397,227,339</b>
Effective Tax Rate	42.50%	42.50%
Deferred Tax Assets	<b>183,916,077</b>	<b>168,821,619</b>

		Amount in Taka	
		31.12.2011	31.12.2010
<b>b) Deferred Tax (Expenses)/Income</b>			
	Closing Deferred Tax Assets	183,916,077	168,821,619
	Opening Deferred Tax Assets	(168,821,619)	(109,786,559)
	Deferred Tax (Expenses)/Income	<b>15,094,458</b>	<b>59,035,060</b>
<b>37. Proposed Dividends</b>			
	Bonus Share (4:1 and 5:1)	589,396,500	392,931,000
	Cash Dividend	-	-
		<b>589,396,500</b>	<b>392,931,000</b>
<b>38. Analysis of closing cash and cash equivalents</b>			
	Cash in hand and balance with Bangladesh bank and Sonali Bank	4,682,116,663	3,075,372,781
	Cash with other Banks	2,026,743,534	2,617,589,335
	Money at call and short notice	2,240,000,000	250,000,000
		<b>8,948,860,197</b>	<b>5,942,962,116</b>
<b>39. Earnings Per Share (EPS)</b>			
	Net Profit after Tax (Numerator)	976,112,816	660,936,269
	Number of Ordinary Share Outstanding (Denominator)	23,575,860	23,575,860
	<b>Earnings Per Share (EPS)</b>	<b>41.40</b>	<b>28.03</b>
			<b>(Restated)</b>
<b>39.1 Adjusting earnings per share (Adjusting EPS ) for 2010</b>			
	Previous year's figures have been adjusted for the issue of 3,929,310 bonus shares and the adjusted EPS is Tk. 28.03.		
<b>40. Litigation Pending against Bank</b>			
	The tax authority has claimed an additional tax amount of Tk 25.17 crore for the FY 2000-01, 2001-02, 2006-07, 2009-10 and 2010-11 which has yet to be settled. However the bank has been maintaining sufficient provision against the stated claim. Besides, the provision for Income Tax which has been made during the year by the bank is also sufficient for the current year tax liability.		
<b>41. Coverage of External Audit</b>			
	The external auditor has covered 80% of the risk-weighted assets and have spent around 4200 hours to complete the audit as per Bangladesh Standards on Auditing (BSA). The external auditor has audited 22 branches and Head office of the Bank.		

NOSTRO Accounts - Outside Bangladesh

Annexure-A

	Name of the Bank	A/C Type	Currency name	2011		2010		Amount in BDT	Amount in FC	Rate per unit FC	Amount in BDT	Amount in FC	Rate per unit FC	Amount in BDT
				Amount in FC	Conv. Rate per unit FC	Amount in FC	Rate per unit FC							
1	BOTM, London	CD	GBP	44354.38	126.5118	5,611,352.45	28,197.51	109.75	3,094,589					
2	Arif Habib(Rupali) Bank Karachi	CD	ACU\$	5492.78	81.8529	449,599.97	4,397.36	70.75	311,112					
3	BOTM, Tokyo	CD	JAPY	267568.78	1.0744	287,475.90	24,398,061.80	0.8688	21197036					
4	Mashreq Bank, NY	CD	USD	213290.42	81.8529	17,458,439.42	865,117.54	70.7497	61206806					
5	CITI Bank Mumbai	CD	ACU\$	1064.78	81.8529	87,155.33	4,299.38	70.7497	304180					
6	Sonali Bank, Kol.	CD	ACU\$	231468.54	81.8529	18,946,371.26	666,615.92	70.75	47,162,876					
7	Bank of Ceylon	CD	ACU\$	128659.9	81.8529	10,531,185.93	53,143.93	70.75	3,759,917					
8	Citibank NA, NY(Exp)	CD	USD	951646.71	81.8529	77,895,042.99	4,224,447.88	70.75	298,878,420					
9	SCB, Newyork	CD	USD	238256.31	81.8529	19,501,969.92	152,985.35	70.75	10,823,668					
10	SCB, London	CD	EURO	-	-	-	-	-	-					
11	SCB, Mumbai	CD	ACU\$	183236.13	81.8529	14,998,408.63	172,919.08	70.75	12,233,973					
12	BCP, Geneva	CD	CHF	19509.7	86.8835	1,695,071.02	17,630.65	75.06	1,323,321					
13	AMEX Frankfurt	CD	EURO	-	-	-	-	-	-					
14	Wachovia Bank, NY	CD	USD	-	-	-	13,492.20	70.75	954,569					
15	HSBC Newyork	CD	USD	404250.76	81.8529	33,089,097.03	742,954.54	70.75	52,563,811					
16	ICICI Mumbai	CD	ACU\$	119762.06	81.8529	9,802,871.92	171,287.08	70.75	12,118,510					
17	Sonali Bank Kol ACUEUR	CD	ACUEUR	2180	105.8767	230,811.21	6,847.50	93.63	641,133					
18	Mashreq Bank, Mumbai	CD	ACU\$	5533.95	81.8529	452,969.86	142,258.59	70.75	10,064,753					
19	SCB Frankfurt	CD	EURO	44462.97	105.8767	4,707,592.54	431,429.58	93.63	40,394,838					
20	Sonali, London EUR	CD	EURO	4312.45	105.8767	456,587.97	75,280.40	93.63	7,048,519					
21	Sonali Bank London	CD	GBP	26353.54	126.5118	3,334,033.78	38,774.88	109.75	4,255,423					
22	Sonali Bank London	CD	USD	8966.22	81.8529	733,911.11	-	-	-					
23	Commercial Bank of Ceylon (TD)	Term Deposit(FDR)	USD	-	-	-	300,000.00	70.75	21,224,910					
24	Commercial Bank of Ceylon (TD)	Term Deposit(FDR)	USD	-	-	-	213,966.68	70.75	14,149,940					
25	Eastern Bank Limited (TD)	Term Deposit(FDR)	USD	168253.69	81.8529	13,772,052.46	165,650.45	70.75	11,719,720					
26	Eastern Bank Limited (TD)	Term Deposit(FDR)	USD	325688.64	81.8529	26,658,559.68	-	-	-					
27	Eastern Bank Limited (TD)	Term Deposit(FDR)	USD	222219.23	81.8529	18,189,288.41	-	-	-					
28	Eastern Bank Limited (TD)	Term Deposit(FDR)	USD	100000	81.8529	8,185,290.00	-	-	-					
29	Eastern Bank Limited (TD)	Term Deposit(FDR)	USD	200000	81.8529	16,370,580.00	-	-	-					
	Total					303,445,719			635,432,021					

**NOSTRO  
Account**

As per Bangladesh Bank Circular No. FEPD(FEMO)/01/2005-677 dated 13th September 2005, the books of accounts of Nostro account are reconciled and there exist no un-reconciled entries that may affect financial statements significantly.

## Investment in Shares

as on 31 December, 2011

A. Listed Securities:

Annexure B

Sl. No.	Particulars	Cost Price (Tk.)	Market Value as on 31-12-2011 (Tk)	Market Value as on 31-12-2010 (Tk)
1.	Beacon Pharmaceuticals Ltd.	2,150,131	813,750	1,717,500
2.	Beximco Ltd.	15,837,693	6,772,090	6,230,000
3.	Beximco Pharmaceuticals Ltd.	5,696,990	4,380,480	5,133,800
4.	BRAC Bank Ltd.	3,092,701	2,193,600	1,712,500
5.	Dhaka Electric Supply Co. Ltd.	4,508,182	3,121,250	3,047,250
6.	Eastern Bank Ltd.	20,017,753	286,501,293	370,169,404
7.	EXIM Bank of Bangladesh Ltd.	4,263,365	2,627,100	4,552,500
8.	First Janata Bank Mutual Fund	1,568,522	1,112,500	1,547,000
9.	First Security Islami Bank Ltd.	2,457,271	1,767,360	2,436,000
10.	Heidelberg CementBD.Ltd	4,822,620	3,326,700	4,025,175
11.	Industrial Prom & Dev.Co. of BD.Ltd	723,913	342,100	-
12.	ICB AMCL 2nd NRB Mutual Fund	474,732	423,000	-
13.	ICB Islami Bank Limited	26,840,000	26,840,000	52,069,600
14.	Jamuna Oil Company Ltd.	514,153	465,920	-
15.	Khulna Power Company Ltd.	11,125,662	5,817,792	8,522,880
16.	M. I. Cement Factory Ltd.	79,047	105,638	3,608,921
17.	Meghna Petroleum Ltd.	2,828,641	1,972,950	2,371,000
18.	Mithun Kniting & Dying Ltd.	8,000	103,360	132,460
19.	N C C Bank Ltd.	524,903	331,056	567,600
20.	Navana CNG Limited	4,652,466	1,810,776	3,857,000
21.	ONE Bank Ltd	2,103,838	1,908,000	-
22.	Power Grid Co of Bangladesh Ltd.	1,521,501	1,039,500	915,750
23.	Prime Finance & Investment Ltd.	3,975,892	1,416,960	3,727,200
24.	RAK Ceramics (Bangladesh) Ltd.	3,142,444	1,259,104	2,505,360
25.	Square Pharmaceuticals Ltd.	8,516,139	7,278,970	7,748,400
26.	Standard Bank Ltd.	809,824	755,000	323,000
27.	Summit Power Ltd.	5,220,114	3,385,200	4,903,500
28.	Tamizuddin Textiles Ltd. *	500,000	385,000	385,000
29.	The Premier Bank Ltd.	979,017	711,480	644,000
30.	Titas Gas Transmission & D.C.L	12,237,904	7,774,000	9,490,500
31.	United Commercial Bank Ltd.	-	-	-
	<b>A. Total :</b>	<b>151,193,415</b>	<b>376,741,929</b>	<b>502,343,300</b>

\* Tk 77 is considered as last trade price per share. The Company is placed in the OTC market.

## Investment in Shares (Contd.)

### B. Non Listed & Preference Shares :

Sl. No.	Particulars	Cost Price (in Taka)	Market Value as on 31-12-2011 (in Taka)	Market Value as on 31-12-2010 (in Taka)
1.	Central Depository Bangladesh Ltd.	3,138,890	3,138,890	-
2.	Equity of Grameen IT Park	4,201,760	4,201,760	-
3.	Karmasangsthan Bank Ltd.	10,000,000	10,000,000	-
4.	Bangladesh Development Co. Ltd.	21,000,000	21,000,000	-
	<b>B. Total</b>	<b>38,340,650</b>	<b>38,340,650</b>	-
	<b>Grand Total (A+B)</b>	<b>189,534,065</b>	<b>415,082,579</b>	-



**Advances  
more than 10%  
of total capital**

Anncxure C

Detail of information on advances more than 10% of bank's total capital (funded & non-funded) :

(Taka in Lac)

Sl. No.	Name of the Client	Outstanding as on 31.12.2011			Outstanding as on 31.12.2010
		Funded	Non funded	Total	
1	Mithun Tallu Group	-	-	-	6,857
2	United Group	-	-	-	10,917
3	A. H. Jute Spinning and Belting Ltd.	6,578	-	6,578	6,999
4	Usha and Paragon allied	-	-	-	8,016
5	Anwar Jute	-	-	-	6,241
6	National Tubes Ltd	-	-	-	7,726
7	Sanji-Well Group	10,041	3,032	13,073	14,514
8	M M Spinning Mills Ltd	-	-	-	6,195
9	SQ hues Limited	9,938	4,216	14,154	13,423
10	Feaz Enterprise	8,136	-	8,136	7,746
11	Amader Bari Ltd.	7,654	-	7,654	5,552
12	Adib Dying and Well Allied	7,561	9,093	16,654	6,603
13	Vasavi Group	6,903	597	7,500	-
14	Bay Navigation Ltd.	6,731	-	6,731	-
15	Nilsagor Group	6,442	1,145	7,587	-
16	Rupayan Group	6,364	-	6,364	-
17	Appollo Group	6,047	656	6,703	-
18	Sea Blue Textile	5,726	1,245	6,971	6,421
	<b>Total</b>	<b>88,121</b>	<b>19,984</b>	<b>108,105</b>	<b>107,210</b>

## Schedule of Fixed Assets

### Schedule of Fixed Assets As of 31 December 2011

Annexure-D

Particulars	Cost Price			Rate of Dep.	Depreciation			Written Down Value as at 31.12.2011 Balance
	Balance as at 01.01.2011	Addition during the year	Disposal/ Transfer during the year		Balance as at 31.12.2011	Addition during the year	Transfer/ Adjustment during the year	
Furniture and Fixtures	135,924,255	19,022,327	(207,679)	10%	56,940,060	8,491,906	(107,327)	65,324,639
Equipment and Computer	370,989,518	59,754,123	(3,850,070)	20%	229,479,942	46,000,224	(3,367,186)	272,112,980
Vehicles	134,832,794	72,532,226	9,731,157	25%	75,658,216	26,162,935	(1,588,844)	100,232,307
Leasehold Assets	4,000,000	-	-		551,724	45,977	-	597,701
<b>Total 2011</b>	<b>645,746,567</b>	<b>151,308,676</b>	<b>5,673,408</b>		<b>362,629,942</b>	<b>80,701,042</b>	<b>(5,063,357)</b>	<b>438,267,627</b>
<b>Total 2010</b>	<b>540,314,905</b>	<b>118,338,649</b>	<b>(12,906,987)</b>		<b>307,659,125</b>	<b>67,569,180</b>	<b>(12,598,364)</b>	<b>362,629,941</b>