

Auditors' report to the shareholders of Bank Asia Limited

We have audited the accompanying financial statements of Bank Asia Limited, ("the Bank"), namely, Balance Sheet as of 31 December 2005 and the related Profit and Loss Statement, Cash Flow Statement, Statement of Changes in Equity, Statement of Liquidity Analysis and notes thereon for the year ended on that date. Preparation of these financial statements and notes thereto is the responsibility of the Bank's management. Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

Accordingly, in our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards and read in conjunction with the annexed notes give a true and fair view of the state of affairs of the Bank as of 31 December 2005 and of the results of its operations and its cash flows for the year then ended and comply with the Companies Act 1994, the Banking Companies Act 1991, the rules and regulations issued by the Bangladesh Bank and other applicable laws and regulations.

We also report that:

- (i) we have obtained all 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 and found them satisfactory;
- (ii) in our opinion, proper books of account as required by law were 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;
- (iii) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (iv) the Balance Sheet, Profit and Loss Statement, Cash Flow Statement, Statement of Changes in Equity and Statement of Liquidity Analysis of the Bank dealt with by this report are in agreement with the books of account maintained by the Bank;
- (v) the financial statements have been drawn up in conformity with the Banking Companies Act 1991 and in accordance with the accounting rules and regulations issued by Bangladesh Bank and the financial statements conform to the prescribed standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- (vi) the financial position of the Bank at 31 December 2005 and the profit for the year then ended have been properly reflected in the financial statements, and the financial statements have been prepared in accordance with generally accepted accounting principles;
- (vii) adequate provisions have been made for advances and other assets which are, in our opinion, doubtful of recovery; and
- (viii) the expenditures incurred during the year were for the purposes of the business of the Bank.

Date: 22 March, 2006


S. F. AHMED & CO
Chartered Accountants

Balance Sheet at 31 December 2005

		Amounts in Taka	
		At	At
		31 Dec 2005	31 Dec 2004
PROPERTY AND ASSETS	Notes		
Cash	3	759,561,720	642,612,517
In hand (including foreign currencies)		105,054,105	103,310,494
With Bangladesh Bank (including foreign currencies)		654,507,615	539,302,023
Balance with other banks and financial institutions	4	366,819,473	119,921,431
In Bangladesh	4.1	36,659,948	38,380,521
Outside Bangladesh	4.2	330,159,525	81,540,910
Money at call and on short notice	5	1,104,617,231	990,467,991
Investments	6	2,256,278,942	3,240,516,524
Government		2,152,152,008	3,110,985,100
Others		104,126,934	129,531,424
Loans and advances		17,869,844,542	11,861,196,096
Loans, cash credits, overdrafts, etc	7	15,252,372,045	10,930,096,002
Bills purchased and discounted	8	2,617,472,497	931,100,094
Fixed assets including assets taken on lease	9	442,167,364	116,288,933
Other assets	10	580,675,356	839,530,037
Non-banking assets		-	-
Total Assets		23,379,964,628	17,810,533,529
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions, and agents	11	1,350,000,000	1,490,000,000
Deposits and other accounts	12	18,500,070,655	13,470,981,849
Current deposits and other accounts		1,983,287,400	1,362,942,877
Bills payable		296,085,857	127,702,523
Savings bank deposits		1,176,495,618	999,076,129
Fixed deposits		15,044,201,780	10,981,260,320
Bearer certificates of deposit		-	-
Other deposits		-	-
Other liabilities	13	1,962,911,904	1,666,080,989
Total Liabilities		21,812,982,559	16,627,062,838
Capital/ Shareholders' Equity			
Paid-up capital	14	930,000,000	744,000,000
Statutory reserve	15	351,826,300	231,106,109
Proposed issue of bonus shares		186,000,000	186,000,000
Proposed cash dividend		93,000,000	-
Share premium		330	330
Retained earnings	16	6,155,439	22,364,252
Total Shareholders' Equity		1,566,982,069	1,183,470,691
Total Liabilities and Shareholders' Equity		23,379,964,628	17,810,533,529

The accompanying notes form an integral part of these financial statements.

Amounts in Taka

	Notes	At 31 Dec 2005	At 31 Dec 2004
Off-Balance Sheet items			
Contingent liabilities			
	17		
Acceptances and endorsements		-	-
Letters of guarantee	17.1	1,513,007,722	759,164,358
Irrevocable letters of credit	17.2	2,011,380,036	4,796,325,629
Bills for collection		1,437,722,959	353,922,472
Other contingent liabilities		5,544,112,445	467,110,291
		10,506,223,162	6,376,522,750
Other commitments			
Documentary credits and short term trade-related transactions		-	-
Forward assets purchase and forward deposits placed		-	-
Spot and forward foreign exchange contracts		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
		-	-
Total off-Balance Sheet items including contingent liabilities		10,506,223,162	6,376,522,750

The accompanying notes form an integral part of these financial statements.

For Bank Asia Limited



Syed Anisul Huq
President & Managing Director



Md. Sirajul Haque
Director



A. Rouf Chowdhury
Vice Chairman



M. Syeduzzaman
Chairman

Signed in terms of our report of even date annexed

Dated, 22 March 2006



Auditors

Profit and Loss Statement

for the year ended 31 December 2005

Amounts in Taka

	Notes	Year ended 31 Dec 2005	Year ended 31 Dec 2004
OPERATING INCOME			
Interest income	19	1,804,370,886	1,291,082,809
Interest paid on deposits, borrowings, etc	20	(1,359,605,568)	(918,599,945)
Net interest income		444,765,318	372,482,864
Investment income	21	206,647,420	202,791,142
Commission, exchange and brokerage	22	441,299,947	338,387,296
Other income	23	72,579,047	35,492,183
		720,526,414	576,670,621
Total operating income (a)		1,165,291,732	949,153,485
OPERATING EXPENSES			
Salary and allowances	24	153,013,087	113,510,677
Rent, taxes, insurance, electricity, etc	25	52,438,644	42,946,280
Legal expenses	26	887,546	915,524
Postage, stamps, telecommunication, etc	27	17,280,224	14,641,372
Stationery, printing, advertisement, etc	28	10,297,066	8,275,126
Chief executive's salary and allowances	29	4,892,500	4,500,000
Directors' fees	30	557,490	453,375
Auditors' fee		190,000	173,250
Charges on loan losses		-	-
Depreciation and repair of Bank's assets	31	40,247,317	33,964,225
Other expenses	32	84,769,122	71,074,033
Total operating expenses (b)		364,572,996	290,453,862
Profit before provision (c = a-b)		800,718,736	658,699,623
Provision against loans and advances	33	197,117,782	197,205,956
Provision for diminution in value of investments		-	-
Other provision	34	-	937,967
Total provision (d)		197,117,782	198,143,923
Profit before taxation (c-d)		603,600,954	460,555,700
Provision for taxation	13.4	220,089,576	166,807,728
Profit after taxation		383,511,378	293,747,972
Balance of profit, brought forward		22,364,252	6,727,420
Profit available for appropriation		405,875,630	300,475,392
Appropriations	35		
Statutory reserve		120,720,191	92,111,140
Proposed bonus share @ 1 share per 5 shares held		186,000,000	186,000,000
Proposed cash dividend @ 10%		93,000,000	-
		399,720,191	278,111,140
Retained surplus		6,155,439	22,364,252
Earnings per share (EPS)	36	41.24	39.48

The accompanying notes form an integral part of these financial statements.



Syed Anisul Huq
President & Managing Director



Md. Sirajul Haque
Director



A. Rouf Chowdhury
Vice Chairman



M. Syeduzzaman
Chairman

Signed in terms of our report of even date annexed

Dated, 22 March 2006



Auditors

Cash Flow Statement

for the year ended 31 December 2005

Amounts in Taka

Cash Flows from Operating Activities

	Year ended 31 Dec 2005	Year ended 31 Dec 2004
Interest receipts	2,007,491,457	1,474,386,301
Interest payments	(1,359,605,568)	(918,599,945)
Dividend received	3,526,850	4,061,050
Fee and commission receipts	441,299,947	338,387,296
Payments to employees	(157,905,587)	(103,766,686)
Payments to suppliers	(15,324,605)	(11,392,293)
Income taxes paid	(174,144,744)	(142,169,348)
Receipts from other operating activities	72,579,047	35,492,183
Payments for other operating activities	(156,123,026)	(141,596,127)
Operating profit before changes in operating assets and liabilities	661,793,771	534,802,431

Changes in operating assets and liabilities

(Increase)/decrease in operating assets		
Trading security-debentures and shares	404,490	3,007,776
Fund advanced to customers	(6,008,648,446)	(3,671,375,183)
Other assets	433,012,614	(423,308,043)
Increase/(decrease) in operating liabilities		
Liabilities on account of customers	5,029,088,806	3,039,599,557
Trading liabilities (borrowing)	(140,000,000)	1,450,000,000
Other liabilities	114,276,660	45,826,998
	(571,865,876)	443,751,105
Net cash from operating activities (a)	89,927,895	978,553,536

Cash Flows from Investing Activities

Proceeds from sale of securities	750,000,000	19,535,800
Payment for purchase of securities	-	(750,000,000)
Purchase of fixed assets	(361,098,210)	(1,908,189)
Sale of fixed assets	-	63,740
Net cash from/(used in) investing activities (b)	388,901,790	(732,308,649)

Cash Flows from Financing Activities

Receipts from issue of ordinary share	-	-
Dividend paid	-	-
Net cash from/(used in) financing activities (c)	-	-

Net increase in cash (a+b+c)

478,829,685 **246,244,887**

Effect of exchange rate changes on cash and cash equivalents

-

Cash and cash equivalents at beginning of the year

1,753,987,039 1,507,742,152

Cash and cash equivalents at end of the year (*)

2,232,816,724 **1,753,987,039**

(*) Cash and cash equivalents:

Cash	759,561,720	642,612,517
Prize bonds	1,818,300	985,100
Money at call and on short notice	1,104,617,231	990,467,991
Balance with other banks and financial institutions	366,819,473	119,921,431
	2,232,816,724	1,753,987,039



Syed Anisul Haq
President & Managing Director



Md. Sirajul Haque
Director



A. Rouf Chowdhury
Vice Chairman



M. Syeduzzaman
Chairman

Signed in terms of our report of even date annexed



Auditors

Dated, 22 March 2006

Statement of Changes in Equity

for the year ended 31 December 2005

Amounts in Taka

Particulars	Paid-up capital	Proposed issue of bonus shares	Proposed cash dividend	Share Premium	Statutory reserve	Retained earnings as per Profit and Loss Statement	Total
Balance at 01 January 2005	744,000,000	186,000,000	-	330	231,106,109	22,364,252	1,183,470,691
Effects of changes in accounting policy					-	-	-
Restated balance	744,000,000	186,000,000	-	330	231,106,109	22,364,252	1,183,470,691
Surplus/deficit on account of revaluation of properties	-	-	-	-	-	-	-
Surplus/deficit on account of revaluation of investments	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-
Net gains and losses not recognised in the Profit and Loss Statement	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	383,511,378	383,511,378
Issue of bonus shares for 2004 @ 1 share per 4 shares held	186,000,000	(186,000,000)	-	-	-	-	-
Proposed bonus shares for 2005 @ 1 share per 5 share held	-	186,000,000	-	-	-	(186,000,000)	-
Cash dividend @ 10%	-	-	93,000,000	-	-	(93,000,000)	-
Transfer to statutory reserve	-	-	-	-	120,720,191	(120,720,191)	-
Balance at 31 December 2005	930,000,000	186,000,000	93,000,000	330	351,826,300	6,155,439	1,566,982,069



Syed Anisul Huq
President & Managing Director



Md. Sirajul Haque
Director



A. Rouf Chowdhury
Vice Chairman



M. Syeduzzaman
Chairman

Signed in terms of our report of even date annexed



Auditors

Dated, 22 March 2006

Statement of Liquidity Analysis

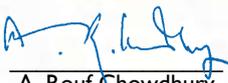
(maturity of assets and liabilities) at 31 December 2005

Particulars	Amounts in Taka					
	Up to 1 month maturity	1-3 months maturity	3-12 months maturity	1-5 years maturity	More than 5 years maturity	Total
Assets						
Cash	759,561,720	-	-	-	-	759,561,720
Balance with other banks and financial institutions	347,097,914	18,783,592	-	937,967	-	366,819,473
Money at call and on short notice	470,000,000	-	-	634,617,231	-	1,104,617,231
Investments	1,818,300	-	-	2,254,460,642	-	2,256,278,942
Loans and advances	1,806,853,873	1,786,199,531	8,986,975,499	4,316,995,959	972,819,680	17,869,844,542
Fixed assets including assets taken on lease	-	-	-	442,167,364	-	442,167,364
Other assets	51,654,652	-	-	529,020,704	-	580,675,356
Non-banking assets	-	-	-	-	-	-
Total Assets	<u>3,436,986,459</u>	<u>1,804,983,123</u>	<u>8,986,975,499</u>	<u>8,178,199,867</u>	<u>972,819,680</u>	<u>23,379,964,628</u>
Liabilities						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	1,350,000,000	-	-	-	-	1,350,000,000
Deposits and other accounts	2,755,546,137	852,399,646	7,649,518,558	7,242,606,314	-	18,500,070,655
Provision and other liabilities	811,664,847	194,785,458	171,006,293	88,443,490	697,011,816	1,962,911,904
Total Liabilities	<u>4,917,210,984</u>	<u>1,047,185,104</u>	<u>7,820,524,851</u>	<u>7,331,049,804</u>	<u>697,011,816</u>	<u>21,812,982,559</u>
Net Liquidity Excess/(shortage)	<u>(1,480,224,525)</u>	<u>757,798,019</u>	<u>1,166,450,648</u>	<u>847,150,063</u>	<u>275,807,864</u>	<u>1,566,982,069</u>
Percentage of net liquidity difference	<u>(43.07)</u>	<u>41.98</u>	<u>12.98</u>	<u>10.36</u>	<u>28.35</u>	<u>6.70</u>

The accompanying notes form an integral part of these financial statements.


 Syed Anisul Haq
 President & Managing Director


 Md. Sirajul Haque
 Director


 A. Rouf Chowdhury
 Vice Chairman


 M. Syeduzzaman
 Chairman

Signed in terms of our report of even date annexed

Dated, 22 March 2006


 Auditors

Notes to financial statements

for the year ended 31 December 2005

1. The Bank and its activities

Bank Asia Limited is a scheduled commercial bank in the private sector established under the Bank Company Act 1991 and incorporated in Bangladesh as a public limited company under the Companies Act 1994 to carry out banking business in Bangladesh.

Bank Asia Limited acquired the business of Bank of Nova Scotia, Dhaka in the year 2001 and at the beginning of the year 2002 the Bank also acquired the Bangladesh Operation of Muslim Commercial Bank Limited (MCBL), a bank incorporated in Pakistan, having two branches at Dhaka and Chittagong with one booth at Dhaka.

The Bank carries its banking activities through nineteen branches in the country. Bank Asia customers have access to 20 ATMs as a member of ETN. Under the ATM network the Stellar Online Banking Software enables direct linking of a client's account, without the requirement of a separate account.

The Bank is also in the process of setting up its own ATM network with a view to providing retail banking services.

2. Significant Accounting Policies

2.1 Basis of preparation of the financial statements

The financial statements, namely, Balance Sheet, Profit and Loss Statement, Cash Flow Statement, Statement of Changes in Equity, Statement of Liquidity Analysis and relevant notes and disclosures thereto, of the Bank are prepared on a going concern basis under historical cost convention and in accordance with First Schedule of Banking Companies Act 1991, Bangladesh Bank circulars, International Accounting Standards, including those that have been so far adopted by the Institute of Chartered Accountants of Bangladesh except Bangladesh Accounting Standard 12 "Income Taxes" where provision for deferred tax is required to be provided in the accounts which is not done as per the said standard, Companies Act 1994, Securities and Exchange Ordinance 1969, Securities and Exchange Rules 1987 and other laws and rules applicable thereto. Wherever appropriate, such principles are explained in succeeding notes.

2.2 Consolidation

A separate set of records for consolidating the statements of affairs and income and expenditure statements of the branches are maintained at the Corporate Office of the Bank in Dhaka, based on which these financial statements have been prepared.

2.3 Foreign currency transactions

- (a) Foreign currency transactions are converted into equivalent Taka currency at the ruling exchange rates on the respective dates of such transactions.
- (b) Assets and liabilities in foreign currencies as at 31 December 2005 have been converted into Taka currency at the average of the prevailing buying and selling rates of the concerned foreign currencies at that date except "balances with other banks and financial institutions" which have been converted as per directives of Bangladesh Bank vide its circular no BRPD (R) 717/2004-959 dated 21 November 2004.
- (c) Differences arising through buying and selling transactions of foreign currencies on different dates of the year have been adjusted by debiting /crediting exchange gain or loss account.

2.4 Fixed assets and depreciation

Fixed assets including assets taken on lease are stated at cost less accumulated depreciation. Depreciation is charged on straight line method based on estimated useful life of each category of assets at the following rates:

<u>Asset Category</u>	<u>Rate of Depreciation</u>
Building (space)	5%
Furniture and fixtures	20%
Equipment	20%
Computer and accessories	20%
Motor vehicles	20%

2.5 Investment

Value of investment has been stated as follows:

<u>Item</u>	<u>Applicable accounting</u>
Government treasury bills	At face value (including unearned interest)
IIDFC zero coupon bonds	At face value
Prize bonds	At cost
Debentures	At redeemable value
Unquoted shares	Face value

2.6 Loans and advances

- Loans and advances have been shown at gross amounts at 31 December 2005.
- Interest is not charged on classified loans and advances from the date of filing money suits against the borrowers.
- Interest charged on loans and advances classified by Bangladesh Bank Inspection Team and by the Bank management as special mention account, sub-standard, doubtful and bad are kept in interest suspense account as per Bangladesh Bank BCD circular nos. 34 dated 16 November 1989, 20 of 27 December 1994 and 12 of 04 September 1995 as amended by BRPD circular nos. 16 of 06 December 1998, 09 of 14 May 2001 and 09 dated 20 August 2005 and such interest is not accounted for as income until realised from borrowers. Interest is calculated on daily product basis but charged and accounted for quarterly on accrual basis.
- In making provision for bad and doubtful loans, wherever required, the requirements of the said BCD/BRPD circulars of Bangladesh Bank have been complied with. The rates of provision on various classes of loans and advances are given below:

	<u>Rate</u>
General provision on unclassified loans and advances	
General loans and advances	1%
Small enterprise financing	2%
Consumer financing	2%
Special mention account	5%
Specific provision on classified loans and advances	
Substandard	20%
Doubtful	50%
Bad/loss	100%

2.7 Stock of stationery

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

2.8 Deposits

Deposits include various types like current deposits, savings deposits, short-term deposits, fixed deposits, etc.

2.9 Revenue recognition

Revenue during the year is recognised as follows which satisfy all conditions of revenue recognition as prescribed by BAS 18 titled "Revenue".

- (i) Interest is calculated on daily product basis on unclassified loan and advances but charged on a quarterly basis.
- (ii) Interest is charged on classified loans and advances as per Bangladesh Bank's BCD and BRPD circulars and such interest is not taken into income.
- (iii) Dividend income is recognised at the time when it is realised.
- (iv) Commission and discount on bills purchased and discounted are recognised at the time of realisation.

2.10 Retirement benefit schemes

The Bank operates a contributory provident fund, a superannuation and a funded gratuity scheme.

2.10.1 Provident fund

The Employees' Provident Fund of the Bank is administered by a board of trustees and is funded by contributions of both the Bank and employees at 10% of their basic pay. These contributions are invested separately.

2.10.2 Provision for gratuity

Gratuity payable to all eligible employees at the end of each year is determined on the basis of existing rules and regulations of the Bank and paid to the trust of the Fund. As such actuarial valuation is not considered essential.

2.10.3 Superannuation fund

The Bank operates a Superannuation Fund for which provision is made annually covering all its eligible employees. The Fund is operated by a separate board of trustees of the Bank.

2.11 Provision for taxation

Provision for income tax is made on accounting income considering taxable allowances and disallowances at 45%.

2.12 Reconciliation of books of account

Books of account in regard to inter-bank (in Bangladesh and outside Bangladesh) and inter-branch transactions are reconciled and no material difference was found which may affect the financial statements significantly. There exist no unreconciled entries in Nostro accounts as of 31 December 2005.

2.13 Reporting period

These financial statements cover one calendar year from 01 January to 31 December 2005.

2.14 Cash flow Statement

Cash flow Statement is prepared in accordance with BAS- 7 titled "Cash flow Statement" and the cash flows from operating activities have been presented under direct method as prescribed by the Securities and Exchange Rules 1987.

2.15 Lease assets

As per BAS 17 "Leases", all assets taken on lease have been accounted for as finance lease from the previous year. Details of leased assets have been shown in note 9 to these financial statements.

2.16 Off-balance sheet items

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

2.17 Core Risk Management

Bangladesh Bank has identified 5 (five) core risks for management of the banks and has provided the necessary guidelines for implementation. The five core risks are:

Credit Risk

- Foreign Exchange Risk
- Asset Liability/ Balance Sheet Risks
- Money Laundering Risk
- Internal Control and Compliance Risk

The prime objective of the risk management is that the Bank takes well calculative business risk to safeguard its capital, financial resources and growth of sustainable profitability. In this context, the Bank has formed a committee (MANCOM) to overview proper implementation and regular monitoring of these critical areas.

2.17.1 Credit Risk

Credit risk is one of the major risks faced by the Bank. This can be described as potential loss arising from the failure of a counter party to perform with agreed terms with the Bank. To assess and to mitigate the credit risk, the management has implemented CRM manual, which is considered an important tool for retaining the assets quality performing. Therefore, Bank's credit risk management functions have been designed to address all these issues including risk arises from global changes.

The Bank has segregated duties of the officers/ executives engaged in the credit related activities. A separate department has been formed at Corporate Office which is entrusted with the tasks of maintaining effective relationship with the customers, marketing of credit products, exploring new business opportunities, etc. Moreover, credit approval, administration, monitoring and recovery functions have been segregated. For this purpose, three separate units have been formed within the Credit Department. These are (i) Credit Risk Management Unit, (ii) Credit Administration Unit and (iii) Credit Monitoring and Recovery Unit.

2.17.2 Foreign Exchange Risk

Foreign exchange risk is defined as the potential change in earnings arising due to unfavorable change in exchange rates. The foreign exchange risk of the Bank is minimal as all the transactions are carried out on behalf of the customers against L/C commitments and other remittance requirements. No speculative dealing on Bank's account was conducted during the year. Treasury front office conducts deal for commercial purpose and back office of treasury keeps record and pass entries in books of account. The main risks in treasury and foreign exchange are exchange rates risk, fund management and liquidity risk. As per Bangladesh Bank's guidelines, the Treasury Department was operationally and physically divided into front office and back office to mitigate the risk. Separate telephone and fax lines were installed at the dealing room to meet Bangladesh Bank's guidelines.

2.17.3 Asset Liability/ Balance Sheet Risks

The Bank has an Asset Liability Committee (ALCO) which is responsible for managing short-term and long-term liquidity and ensuring that the Bank has adequate liquidity at all times at optimal funding cost. ALCO reviews liquidity requirement of the Bank, the maturity of assets and liabilities, deposit and lending pricing strategy and the liquidity contingency plan. The Asset Liability Committee also monitors Balance Sheet risk. The Balance Sheet risk is defined as potential changes in earnings due to change in rate of interest, exchange rates, which are not of trading nature.

2.17.4 Money Laundering Risk

Money laundering risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering. For mitigating the risks, the Bank has nominated a Chief Compliance Officer at Corporate Office and Branch Compliance Officers at branches, who independently

review the transactions in the accounts to verify suspicious transactions. Know Your Customer (KYC) policy and Transaction Profile (TP) format has been introduced. The regulatory requirements are being complied with and the guidelines in respect of KYC are followed for opening of new accounts. Training has been providing continuously to all the category of officers and executives for developing awareness and skill for identifying suspicious activities.

In addition, the President & Managing Director has provided a Message on Anti Money Laundering (AML) policy. The management has circulated a Customer Acceptance Policy to the members of the staff for guidance.

2.17.5 Internal Control and Compliance Risk

Operational loss may arise from errors and omissions, fraud and forgeries due to lack of proper internal control and compliance culture. Management through the Internal Control and Compliance Department ensures controls in all operational areas of the Bank. Internal Control and Compliance Department undertakes periodical and special audit and inspection of the branches and departments at Corporate Office for identifying and reviewing the operational lapses and compliance of statutory requirements as well as Bank's own guidelines. The Audit Committee of the Board also reviews the Audit and Inspection reports of the Internal Control and Compliance Department. The Bank has introduced Risk Based Internal Audit (RBIA) and audit rating over its branches from 2006 and prepared a comprehensive audit manual which have been approved by the Board of Directors.

2.18 Audit committee

In pursuance of the directives of the Bangladesh Bank vide BRPD circular no.12 dated 23 December 2002, the Board of Directors in its meeting held on 18 January 2003 constituted the following Audit Committee of the Bank:

Sl. No.	Name	Status with the committee	Status with the Bank	Educational qualification
1	Dr. Md. Shafiuddin Chowdhury	Chairman	Director	Ph.D.
2	Mr. Md. Sirajul Haque	Member	Director	M.A.
3	Mr. Anwar Hussain	Member	Director	B.Sc. Engineering (Civil)

The Company Secretary to act as Secretary of the Committee.

During the year 2005, the Audit Committee conducted 9 (nine) meetings in which, among others, the following issues were reviewed and discussed:

- i) Comprehensive inspection report of Bangladesh Bank as on 30 September 2004 and status of compliance thereof.
- ii) External audit report of the Bank.
- iii) Periodical internal audit reports of the branches conducted by the Bank's internal control and compliance department and gave proper instructions to the management on compliance of the observations of irregularities.
- iv) Take decision to support Bank's internal control and compliance department's work.

2.19 Number of employees

The number of employees engaged for full year or part of the year who receive total remuneration per month of Taka 36, 000 or above is 84.

2.20 Name of Directors and the entities in which they had interest as at 31 December 2005

Details are shown in [Annex 2](#).

2.21 During the year 2005, the Bank concluded business deal with the following organisations in which the directors have interest :

Name of director	Status with the Bank	Name of organisation	Business deal
Mr. A. Rouf Chowdhury	Vice Chairman	Shield Security Services Ltd Ranks ITT Ltd Dears International Ltd Rangs Motors Ltd. Reliance Insurance Ltd. Daily Star	Security services Connectivity services Office lease agreement Vehicle Insurance Publication of Ad
Mr. Rumees Akhtar Hossain	Director	Romask Ltd Rangs Industries Ltd.	Printing and stationery including printing of wall/desk calendar Air Conditioner

The Bank sanctioned following facilities in favour of The Daily Star (Media World Ltd) for one year in the year 2005:

Name of the director having interest	Nature of facility	Limit (Taka)	Outstanding balance as on 31 Dec 2005	Security
Mr. A. Rouf Chowdhury	L/C	10,000,000	4,494,500	- Personal guarantee of Directors - L/C documents - 100% margin
	Guarantee	50,000	–	- Personal guarantee of Directors - 100% margin

Notes to financial statements

for the year ended 31 December 2005

		Amounts in Taka	
		At	
		31 Dec 2005	31 Dec 2004
3. Cash			
Cash in hand			
In local currency		101,124,225	99,063,186
In foreign currency		3,929,880	4,247,308
		105,054,105	103,310,494
Balance with Bangladesh Bank			
In local currency		871,953,357	465,066,682
In foreign currency (overdrawn)		(217,445,742)	74,235,341
		654,507,615	539,302,023
		759,561,720	642,612,517
3.1 Statutory deposits			
3.1.1 Cash reserve ratio (CRR) and statutory liquidity ratio (SLR)			
Cash reserve ratio and statutory reserve ratio have been calculated and maintained in accordance with section 33 of Banking Companies Act 1991 and subsequent Bangladesh Bank BCD circular no. 13 dated 24 May 1992, BRPD circular no. 12 dated 20 September 1999 and BRPD circular no. 22 dated 06 November 2003 and circular nos. 11 and 12 dated 25 August 2005.			
The statutory cash reserve ratio required on the Bank's time and demand liabilities at the rate of 5% has been calculated and maintained with Bangladesh Bank in current account and 18% statutory liquidity ratio, including CRR, on the same liabilities is also maintained in the form of treasury bills, bonds and debentures including balance with Bangladesh Bank. Both the reserves are maintained by the Bank in excess of the statutory requirements, as shown below :			
(a) Cash reserve ratio (CRR)			
Required reserve		700,667,000	350,598,000
Actual reserve maintained		852,543,000	462,782,000
Surplus		151,876,000	112,184,000
(b) Statutory liquid reserve (SLR)			
Required reserve		3,153,001,000	1,869,858,000
Actual reserve maintained		3,517,705,000	2,713,668,000
Surplus		364,704,000	843,810,000
Total required reserve		3,853,668,000	2,220,456,000
Total actual reserve held with Bangladesh Bank		4,370,248,000	3,176,450,000
Total surplus		516,580,000	955,994,000
4. Balance with other banks and financial institutions			
In Bangladesh (note 4.1)		36,659,948	38,380,521
Outside Bangladesh (note 4.2)		330,159,525	81,540,910
		366,819,473	119,921,431

Amounts in Taka

4.1 In Bangladesh

	At	
	31 Dec 2005	31 Dec 2004
Cash in ATM	-	83,000
	-	83,000
Current account with		
The City Bank Ltd	6,310,715	-
United Commercial Bank Ltd	5,145,171	-
Commercial Bank of Ceylon Ltd	(146,769)	3,505
National Bank Ltd	1,878,007	4,442,613
Agrani Bank	4,689,232	7,303,016
	17,876,356	11,749,134
Short term deposit account with		
Uttara Bank Ltd	18,036,725	14,301,520
Islami Bank Bangladesh Ltd	415,178	3,915,178
Southeast Bank Ltd	91,125	91,125
The Trust Bank Ltd	89,250	89,250
Eastern Bank Ltd	70,249	70,249
Prime Bank Ltd	51,196	51,196
Arab Bangladesh Bank Ltd	29,869	8,029,869
	18,783,592	26,548,387
	36,659,948	38,380,521

4.2 Balance with other banks and financial institutions - outside Bangladesh

Name of the bank	Nature of deposit	Location	Currency	At 31 December 2005			At 31 December 2004		
				Amounts in foreign currency	Conversion rate	Amount in Taka	Amounts in foreign currency	Conversion rate	Amount in Taka
Interest bearing									
Standard Chartered Bank	Demand deposit	New York	USD	1,221,936	58.00	70,872,302	565,566	58.00	32,802,806
Citibank NA	Demand deposit	London	EURO	4,002	58.00	232,125	10,817	58.00	627,370
Citibank NA	Demand deposit	New York	USD	134,000	58.00	7,771,973	159,487	58.00	9,250,226
Citibank NA	Demand deposit	London	GBP	22,810	92.00	2,098,548	16,193	92.00	1,489,722
Mashreqbank psc	Demand deposit	New York	USD	77,289	58.00	4,482,753	24,543	58.00	1,423,494
National Westminster Bank plc	Demand deposit	London	GBP	70,920	92.00	6,524,684	364	92.00	33,464
Habib American Bank	Demand deposit	New York	USD	546,967	58.00	31,724,098	203,227	58.00	11,787,173
Standard Chartered Bank	Demand deposit	Mumbai	USD	55,746	58.00	3,233,248		58.00	
						126,939,731			57,414,255
Non interest bearing									
Arab Bangladesh Bank Ltd	Demand deposit	Mumbai	ACUD	182,938.44	58.00	10,610,429	45,738	58.00	2,652,775
The Bank of Tokyo-Mitsubishi Ltd	Demand deposit	Kolkata	ACUD	16,171.84	58.00	937,967	16,172	58.00	937,967
The Bank of Tokyo-Mitsubishi Ltd	Demand deposit	Tokyo	JPY	2,870,168.00	0.48	1,377,681	1,266,379	0.48	607,862
American Express Bank Ltd	Demand deposit	New York	USD	126,301.89	58.00	7,325,510	56,134	58.00	3,255,795
Credit Suisse First Boston	Demand deposit	Zurich	CHF	155,096.84	40.00	6,203,874	2,184	40.00	87,373
Bank of Nova Scotia	Demand deposit	New York	USD	-	58.00	-	-	58.00	-
Bank of Nova Scotia	Demand deposit	Toronto	CAD	8,760.52	37.00	324,139	5,656	37.00	209,281
Commerzbank AG	Demand deposit	Frankfurt	EURO	476,478.93	58.00	27,635,778	2,533	58.00	146,909
Habib Bank AG Zurich	Demand deposit	Karachi	ACUD	116,537.33	58.00	6,759,165	88,118	58.00	5,110,846
Hypo Vereinsbank	Demand deposit	Munich	EURO	19,119.36	58.00	1,108,923	5,237	58.00	303,773
HSBC Bank	Demand deposit	New York	USD	2,147,909.07	58.00	124,578,726	153,117	58.00	8,880,781
HSBC Bank Australia Ltd	Demand deposit	Sydney	AUD	3,531.81	32.00	113,018	5,496	32.00	318,765
ICICI Bank Ltd	Demand deposit	Mumbai	ACUD	270,379.04	58.00	15,681,984	27,837	58.00	1,614,528
Bhutan National Bank Ltd	Demand deposit	Thimphu	USD	5,000.00	58.00	290,000	-	58.00	-
Muslim Commercial Bank Ltd	Demand deposit	Colombo	USD	4,700.00	58.00	272,600	-	58.00	-
						203,219,794			24,126,655
						330,159,525			81,540,910

		Amounts in Taka	
		At	At
		31 Dec 2005	31 Dec 2004
4.3	Maturity grouping of balance with other banks		
	Repayable on demand	347,097,914	92,435,077
	Below 3 months	18,783,592	26,548,387
	Over 3 months but below 1 year	-	937,967
	Over 1 year but below 5 years	937,967	-
	Over 5 years	-	-
		366,819,473	119,921,431
5.	Money at call and on short notice		
	<u>Short notice</u>		
	Repo with Bangladesh Bank	270,000,000	-
	National Credit and Commerce Bank Ltd	200,000,000	-
		<u>470,000,000</u>	<u>-</u>
	<u>Calls and placements</u>		
	Bay Leasing and investment Ltd	-	60,000,000
	National Housing Finance and Investments Ltd	100,000,000	200,000,000
	Industrial and Infrastructure Development Finance Company Ltd	25,054,021	82,888,272
	Phoenix Leasing Company Ltd	100,000,000	200,000,000
	Prime Finance and Investment Ltd	100,000,000	30,000,000
	International Leasing and Financial Services Ltd	159,964,091	97,279,719
	Bangladesh Industrial Finance Company Ltd	30,000,000	30,000,000
	Industrial Development Leasing Company of Bangladesh Ltd	49,599,119	30,300,000
	United Leasing Company Ltd	-	130,000,000
	People's Leasing and Financial Services Ltd	10,000,000	10,000,000
	Union Capital Ltd	20,000,000	40,000,000
	Bangladesh Finance and Investment Company Ltd	20,000,000	40,000,000
	MIDAS Financing Ltd	-	20,000,000
	Islamic Finance and Investment Ltd	20,000,000	20,000,000
		<u>634,617,231</u>	<u>990,467,991</u>
		1,104,617,231	990,467,991
6.	Investments		
	6.1 Government securities		
	Treasury bills (note 6.1.1)	2,125,333,708	3,110,000,000
	Prize bonds	1,818,300	985,100
	Debenture- Bangladesh House Building Finance Corporation	25,000,000	27,500,000
		<u>2,152,152,008</u>	<u>3,138,485,100</u>
	6.2 Other investments (note 6.2.1)	104,126,934	102,031,424
		<u>2,256,278,942</u>	<u>3,240,516,524</u>
	6.1.1 Treasury bills		
	2 years	721,247,045	1,500,000,000
	5 years	1,404,086,663	1,610,000,000
		<u>2,125,333,708</u>	<u>3,110,000,000</u>

6.2.1 Other investments

In shares, debentures and bonds

Shares

Name of the company	Face value	No. of shares	Cost price	
			2005	2004
<u>Quoted</u>	-	-	-	-
<u>Unquoted</u>				
Industrial and Infrastructure Development Finance Company Ltd	100	138,000	13,800,000	11,500,000
Central Depository Bangladesh Ltd	1,000,000	2	2,000,000	2,000,000
Era-Infotech Ltd	100	3,837	383,700	383,700
			<u>16,183,700</u>	<u>13,883,700</u>

10% Debentures (10 years)

Beximco Denims Ltd	18,971,617	19,073,862
Beximco Textiles Ltd	18,971,617	19,073,862
	<u>37,943,234</u>	<u>38,147,724</u>

Bonds (Zero coupon bonds)

Industrial and Infrastructure Development Finance Company Ltd	50,000,000	50,000,000
	<u>50,000,000</u>	<u>50,000,000</u>
	<u>104,126,934</u>	<u>102,031,424</u>

At 31 Dec 2005/Taka

6.3. Valuation of investment

Government securities

	Cost price	Realisable value
Treasury bills	2,125,333,708	2,125,333,708
Prize bond	1,818,300	1,818,300
House Building Finance Corporation	25,000,000	25,000,000

Others

Shares (unquoted)

Industrial and Infrastructure Development Finance Company Ltd	13,800,000	13,800,000
Central Depository Bangladesh Ltd	2,000,000	2,000,000
Era-Infotech Ltd	383,700	383,700

Debentures

Beximco Denims Ltd	18,971,617	18,971,617
Beximco Textiles Ltd	18,971,617	18,971,617

Bond

Industrial and Infrastructure Development Finance Company Ltd	50,000,000	50,000,000
---	------------	------------

2,256,278,942

2,256,278,942

6.4 Maturity grouping

On demand	1,818,300	985,100
Below 3 months	-	-
Over 1 year but below 5 years	2,213,276,942	3,239,531,424
Over 5 years	41,183,700	-
	<u>2,256,278,942</u>	<u>3,240,516,524</u>

Amounts in Taka

	At 31 Dec 2005	At 31 Dec 2004
7. Loans and advances		
In Bangladesh		
Loan (general)	402,447,240	277,858,220
Cash credit	45,309,108	119,793,263
Overdraft	4,774,150,634	3,309,519,146
Transport loan	213,747,325	111,700,509
House building loan	29,392,639	6,454,423
Loan against trust receipt	4,965,098,243	3,820,933,822
Term loan- industrial	1,881,839,194	1,083,835,142
Term loan- others	1,708,855,751	1,180,610,890
Payment against document	1,105,440,792	915,510,578
Consumer credit scheme	49,973,373	48,530,135
Credit for poverty elevation scheme	7,371,245	4,203,116
Staff loan	68,746,501	51,146,758
	<u>15,252,372,045</u>	<u>10,930,096,002</u>
Outside Bangladesh	-	-
	<u>15,252,372,045</u>	<u>10,930,096,002</u>
Bills purchased and discounted		
In Bangladesh		
Bills discounted with other banks	217,002,981	106,532,810
Inland documentary bills purchased	2,289,859,890	774,584,063
Loan against accepted bills	2,037,000	6,566,000
	<u>2,508,899,871</u>	<u>887,682,873</u>
Outside Bangladesh		
Foreign documentary bills purchased	108,008,981	43,417,221
Foreign bill purchased	563,645	-
	<u>108,572,626</u>	<u>43,417,221</u>
	<u>2,617,472,497</u>	<u>931,100,094</u>
	<u>17,869,844,542</u>	<u>11,861,196,096</u>
7.1 Maturity grouping		
Repayable on demand	1,806,853,873	2,153,884,084
Over 1 month but not more than 3 months	1,786,199,531	1,769,655,079
Over 3 months but not more than 1 year	8,986,975,499	5,517,480,281
Over 1 year but not more than 5 years	4,316,995,959	2,036,092,399
Over 5 years	972,819,680	384,084,253
	<u>17,869,844,542</u>	<u>11,861,196,096</u>
7.2 Broad category-wise breakup		
In Bangladesh		
Loans	10,432,912,303	7,500,783,592
Cash credits	45,309,108	3,309,519,146
Overdrafts	4,774,150,634	119,793,264
	<u>15,252,372,045</u>	<u>10,930,096,002</u>
Outside Bangladesh		
Bills purchased and discounted (note 8)	2,617,472,497	931,100,094
	<u>17,869,844,542</u>	<u>11,861,196,096</u>

Amounts in Taka

7.3 Significant concentration of loans and advances

	At 31 Dec 2005	At 31 Dec 2004
Advances to allied concerns of Directors	-	-
Advances to Chief Executive	2,298,959	2,110,708
Advances to senior executives	49,125,765	39,648,460
	<u>51,424,724</u>	<u>41,759,168</u>
Advances to industries		
Agriculture and jute industries	2,506,000	458,920,627
Ready made garments	1,552,775,773	808,042,205
Backward linkage	2,736,571,687	2,310,844,450
Food and allied	1,294,403,288	370,757,076
Chemical	49,942,865	319,651,982
Cement	356,457,130	199,450,720
Electronics	129,372,482	80,315,600
Steel	695,727,712	703,148,000
Paper	299,220,838	173,079,230
Real estate	460,834,967	57,457,086
Others	2,073,282,244	1,391,075,665
	<u>9,651,094,986</u>	<u>6,872,742,641</u>
Infrastructure		
Power	34,035,154	20,412,000
Telecom	203,271,127	217,443,360
Construction	313,288,621	431,098,463
Transport	276,145,043	233,380,820
	<u>826,739,945</u>	<u>902,334,643</u>
Advances to customer groups		
Commercial lending	6,164,210,879	3,240,338,642
Export financing- Local documentary bills purchased	406,416,126	288,669,619
Consumer credit scheme	339,396,905	244,945,001
Non-banking financial institutions	413,239,200	261,017,791
Staff loan (other employees)	17,321,777	9,388,591
	<u>7,340,584,887</u>	<u>4,044,359,644</u>
	<u>17,869,844,542</u>	<u>11,861,196,096</u>

7.4 Advances to customers for more than 10% of Bank's total capital

Number of clients	29	12
Amount of outstanding advances	5,233,100,000	2,437,600,000
Amount of classified advances	-	-
Amount of recovery/rescheduling thereon	-	68,800,000

7.5 Borrower-wise outstanding position of large loans

Amounts in lakh

Name of the clients	Branch	Limit		Outstanding		Classification status
		Funded	Non-funded	Funded	Non funded	
Abdul Monem Ltd	Gulshan	3,180	1,500	2,183	313	Un-classified
BHT Industries Ltd	Gulshan	1,563	900	1,253	770	Un-classified
Pacific Bangladesh Telecom Ltd	Gulshan	2,855	1,500	2,033	713	Un-classified
Emirates Cement	Gulshan	2,000	2,600	1,955	1,441	Un-classified
R. M Group	Corporate	750	1,800	2,506	2,010	Un-classified
Yasir Enterprise	MCB SK Mujib Rd.	1,880	-	1,910	-	Un-classified
Mahmud Enterprise	MCB SK Mujib Rd.	1,680	685	1,090	685	Un-classified
M. R Trading	Principal	1,900	2,600	3,127	598	Un-classified
Apex Footwear Ltd	Principal	1,740	600	1,738	914	Un-classified
Karim Spinning Mills Ltd	Principal	2,344	1,300	3,085	579	Un-classified
Rahmat Textile Mills Ltd	Principal	1,799	1,150	1,769	22	Un-classified
Mother Textile Mills Ltd	Principal	2,500	3,100	2,586	72	Un-classified
Bashundhara Group	Principal	2,500	3,000	2,553	2,429	Un-classified
PHP Group	Agrabad	1,900	3,000	1,131	1,000	Un-classified
Sheema Steel	Agrabad	2,000	4,000	1,826	1,158	Un-classified
H. Steel	Agrabad	1,900	2,600	1,902	900	Un-classified
Kabir Steel	Agrabad	1,900	4,500	1,923	-	Un-classified
Abul Khair Steel Mills Ltd	Agrabad	-	2,788	-	2,788	Un-classified
Marshal Oil	Agrabad	1,900	2,500	1,875	-	Un-classified
Sanowara Dairy	Agrabad	1,900	2,000	1,822	403	Un-classified
KDS Group	Agrabad	1,240	1,100	1,029	799	Un-classified
Romana Enterprise	Agrabad	1,490	1,600	1,303	510	Un-classified
Comptex Group	MCB Banani	1,980	1,472	2,216	1,375	Un-classified
Millennium Textile	MCB Banani	1,160	900	637	1,744	Un-classified
S. A Oil Company	CDA Avenue	2,700	3,000	2,076	-	Un-classified
MEB Group	Khatungonj	1,600	3,200	2,023	241	Un-classified
East West Trading	Khatungonj	997	1,093	998	1,093	Un-classified
B. K Overseas	Khatungonj	2,000	4,000	1,942	1,816	Un-classified
Partex Group	MCB Dilkusha	2,650	1,438	1,840	280	Un-classified
		54,008	59,926	52,331	24,653	

		Amounts in Taka	
		At	At
7.6 Particulars of loans and advances		31 Dec 2005	31 Dec 2004
(i)	Loans considered good in respect of which the Bank is fully secured;	11,949,740,572	4,750,599,099
(ii)	Loans considered good against which the Bank holds no security other than the debtors' personal guarantee;	1,414,128,669	2,861,560,693
(iii)	Loans considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors;	4,505,975,301	4,249,036,304
(iv)	Loan adversely classified but provision not maintained there against;	-	-
		<u>17,869,844,542</u>	<u>11,861,196,096</u>
(v)	Loans due by directors or officers of the Bank or any of them either separately or jointly with any other persons;	<u>68,746,500</u>	<u>51,147,759</u>
(vi)	Loans due from companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or in case of private companies, as members;	<u>-</u>	<u>-</u>
(vii)	Maximum total amount of advances, including temporary advances made any time during the year to directors or employees of the Bank or any of them either separately or jointly with any other persons;	<u>68,746,500</u>	<u>61,911,500</u>
(viii)	Maximum total amount of advances, including temporary advances approved during the year to companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in case of private companies, as members;	<u>-</u>	<u>-</u>
(ix)	Due from other Banking companies;	<u>2,508,899,870</u>	<u>687,406,006</u>
(x)	Amount of classified loans on which interest has not been credited to income		
(a)	Increase/decrease of provision (specific)	<u>131,626,521</u>	<u>161,961,913</u>
	Amount of loan written off	<u>-</u>	<u>1,186,323</u>
	Amount realised against loan previously written off	<u>-</u>	<u>-</u>
(b)	Provision kept against loans classified as bad /loss on the closing date of balance sheet	<u>288,816,000</u>	<u>160,639,490</u>
(c)	Interest charged in interest suspense account	36,503,625	14,964,890
(xi)	Written off loan	-	2,629,619
	During the year	-	1,186,323
	Cumulative to-date	1,443,296	1,443,296
	The amount of written off loans for which lawsuits filed	-	-
7.7 Classification of loans and advances			
	Unclassified (including staff loan)	17,216,896,701	11,469,643,514
	Special mention account	158,132,000	-
	Substandard	66,504,032	158,860,923
	Doubtful	63,617,381	10,194,342
	Bad/loss	364,694,428	222,497,317
		<u>17,869,844,542</u>	<u>11,861,196,096</u>

		Amounts in Taka	
		At	At
		31 Dec 2005	31 Dec 2004
7.8	Geographical location-wise (division) distribution		
	In Bangladesh		
	Urban branches		
	Dhaka	11,374,083,204	7,513,563,358
	Chittagong	6,157,266,872	4,213,014,930
	Sylhet	179,560,817	45,375,932
		<u>17,710,910,893</u>	<u>11,771,954,220</u>
	Rural branches		
	Dhaka	148,926,531	89,241,876
	Chittagong	10,007,118	-
		<u>158,933,649</u>	<u>89,241,876</u>
		<u>17,869,844,542</u>	<u>11,861,196,096</u>
	Outside Bangladesh	-	-
		<u>17,869,844,542</u>	<u>11,861,196,096</u>

7.9 Particulars of provision required against loans and advances

Status	Base for provision	Rate (%)		
Unclassified (general provision)	17,216,897,000	1 to 2	172,066,810	114,282,000
Special mention account	154,129,000	5	7,706,451	-
Sub total (a)			<u>179,773,261</u>	<u>114,282,000</u>
Classified (specific provision)				
Substandard	45,273,000	20	9,054,600	22,722,197
Doubtful	40,565,000	50	20,282,500	3,164,892
Bad/Loss	288,816,000	100	288,816,000	160,639,490
Sub total (b)			<u>318,153,100</u>	<u>186,526,579</u>
Required provision for loans and advances (a+b)			<u>497,926,361</u>	<u>300,808,579</u>
Total provision maintained (note 13.1&13.2)			<u>497,926,361</u>	<u>300,808,579</u>
Excess/(Short) provision at 31 December 2005			<u>-</u>	<u>-</u>

7.10 Assets pledged as security/collaterals

The Bank has given Taka 270 million reverse repo as securities against USD 4.0 million overdrawn facility from Bangladesh Bank. Except this, no other asset has been pledged, mortgaged or hypothecated against the borrowings of the Bank. However, the overdraft has been adjusted on 09 January 2006.

8. Bills purchased and discounted

Payable		
In Bangladesh	2,508,899,871	887,682,873
Outside Bangladesh	108,572,626	43,417,221
	<u>2,617,472,497</u>	<u>931,100,094</u>

8.1 Maturity grouping

Payable		
Within 1 month	684,739,877	196,897,515
Within 3 months	939,937,512	287,315,926
Over 3 months but below 6 months	850,958,831	355,659,919
6 months or over	141,836,277	91,226,734
	<u>2,617,472,497</u>	<u>931,100,094</u>

Amounts in Taka

9. Fixed assets including assets taken on lease	At	At
	31 Dec 2005	31 Dec 2004
Land	182,443,587	-
Buildings	160,791,018	-
Furniture and fixtures	80,011,092	78,414,490
Equipment	40,817,048	39,455,695
Computer and accessories	29,848,228	28,161,578
Motor vehicles	21,422,525	8,203,525
	515,333,498	154,235,288
<u>Less: Accumulated depreciation</u>	<u>73,166,134</u>	<u>37,946,355</u>
Net book value at the end of the year	<u>442,167,364</u>	<u>116,288,933</u>

Details are shown in [Annex 1](#).

10. Other assets**Income generating**

In Bangladesh	-	-
Outside Bangladesh	-	-

Non-income generating

Advance rent and Deposit	25,696,022	27,091,954
Stationery, stamps, printing materials, etc	3,934,827	4,417,751
Interest accrued on investment, commission and brokerage receivable on shares and debentures and other income receivables	64,129,456	107,831,181
Security deposits	-	423,471
Preliminary, formation, renovation, development and prepaid expenses	3,142,085	17,901,387
Inter branch adjustment	-	419,858,532
Others (note 10.1)	436,053,141	249,426,761
Suspense account (note 10.2)	47,719,825	12,579,000
	580,675,356	839,530,037
	<u>580,675,356</u>	<u>839,530,037</u>

10.1 Others

Advance against corporate income tax	419,969,009	245,811,076
Sundry debtors	15,298,901	3,369,247
Advance against TA/DA	-	5,000
Advance against legal expenses	785,231	241,438
	436,053,141	249,426,761
	<u>436,053,141</u>	<u>249,426,761</u>

10.2 Suspense account include amounts paid against opening of proposed new branches.

11. Borrowings from other banks, financial institutions and agents

In Bangladesh (note 11.1)	1,350,000,000	1,490,000,000
Outside Bangladesh	-	-
	1,350,000,000	1,490,000,000
	<u>1,350,000,000</u>	<u>1,490,000,000</u>

	Amounts in Taka	
	At 31 Dec 2005	At 31 Dec 2004
11.1 In Bangladesh		
<u>Borrowing from</u>		
Sonali Bank	-	500,000,000
Uttara Bank Ltd	100,000,000	50,000,000
United Commercial Bank Ltd	300,000,000	100,000,000
Janata Bank	-	530,000,000
Agrani Bank	100,000,000	250,000,000
IFIC Bank Ltd	-	60,000,000
The City Bank Ltd	240,000,000	-
Prime Bank Ltd	100,000,000	-
Eastern Bank Ltd	190,000,000	-
Standard Bank Ltd	70,000,000	-
National Bank Ltd	150,000,000	-
Mercantile Bank Ltd	50,000,000	-
National Credit and Commerce Bank Ltd	50,000,000	-
	<u>1,350,000,000</u>	<u>1,490,000,000</u>
	1,350,000,000	1,490,000,000
11.2 Analysis by security		
Secured	-	-
Unsecured	1,350,000,000	1,490,000,000
	<u>1,350,000,000</u>	<u>1,490,000,000</u>
	1,350,000,000	1,490,000,000
11.3 Repayment pattern		
Repayable on demand	1,350,000,000	1,490,000,000
	<u>1,350,000,000</u>	<u>1,490,000,000</u>
	1,350,000,000	1,490,000,000
12. Deposit and other accounts		
Inter-bank deposits (note 12.1)	1,000,000,000	500,000,000
Other deposit (note 12.3)	17,500,070,655	12,970,981,849
	<u>18,500,070,655</u>	<u>13,470,981,849</u>
	18,500,070,655	13,470,981,849
12.1 Inter-bank deposits		
Sonali Bank	-	200,000,000
Pubali Bank Ltd	-	100,000,000
United Commercial Bank Ltd	-	200,000,000
Agrani Bank	500,000,000	-
Rupali Bank	400,000,000	-
Uttara bank Ltd	100,000,000	-
	<u>1,000,000,000</u>	<u>500,000,000</u>
	1,000,000,000	500,000,000
12.2 Maturity analysis of inter-bank deposits		
Repayable on demand	-	-
Repayable within 1 month	-	-
Over 1 month but within 3 months	1,000,000,000	500,000,000
Over 3 months but within 1 year	-	-
Over 1 year but within five years	-	-
Over 5 years but within ten years	-	-
Over 10 years	-	-
	<u>1,000,000,000</u>	<u>500,000,000</u>
	1,000,000,000	500,000,000
12.3 Maturity analysis of other deposits		
Repayable on demand	2,563,354,396	1,817,474,583
Repayable within 1 month	192,191,742	537,485,236
Over 1 month but within 6 months	4,137,104,952	4,335,387,083
Over 6 months but within 1 year	3,364,813,252	2,750,268,893
Over 1 year but within 5 years	7,242,606,313	3,530,366,054
Over 10 years	-	-
	<u>17,500,070,655</u>	<u>12,970,981,849</u>
	17,500,070,655	12,970,981,849
	<u>18,500,070,655</u>	<u>13,470,981,849</u>
	18,500,070,655	13,470,981,849

	Amounts in Taka	
	At 31 Dec 2005	At 31 Dec 2004
13. Other liabilities		
Provision against unclassified loans and advances (note 13.1)	179,773,261	114,282,000
Provision against classified loans and advances (note 13.2)	318,153,100	186,526,579
Interest suspense account (note 13.3)	36,503,625	14,964,890
Provision for performance bonus	18,670,841	14,370,515
Provision for corporate income tax (note 13.4)	566,384,695	346,295,119
Provision against others	937,967	937,967
Lease obligations	96,255,540	101,249,299
Interest payable	589,623,267	340,240,580
Advance interest on treasury bills	-	429,775,394
Exchange equalisation account (note 13.5)	3,339,553	3,339,553
Accrued expenses	74,987,754	5,930,614
Provision for gratuity (note 13.6)	-	728,137
Withholding income tax, VAT, etc	17,770,602	14,925,335
Accounts payable	23,600,477	4,102,504
Sundry creditors	34,256,811	87,850,022
Bank Asia general account	2,526,535	-
Others	127,876	562,481
	1,962,911,904	1,666,080,989
13.1 Provision for unclassified loans and advances		
Balance at 01 January	114,282,000	80,224,280
<u>Add: Provision for the year</u>		
1% general provision for the year	57,784,810	34,057,720
5% general provision for special mention account	7,706,451	-
Closing balance	179,773,261	114,282,000
13.2 Provision against classified loans and advances		
Opening balance	186,526,579	24,564,666
<u>Less: Fully provided advances written off during the year</u>	-	1,186,323
<u>Add: Recovery of advances previously written off</u>	-	-
<u>Add: Specific provision for the year</u>	131,626,521	163,148,236
<u>Add: Provision no more required transfer from sundry creditors</u>	-	-
<u>Add: Provision no more required transfer to general reserve</u>	-	-
Net charge in Profit and Loss Statement	-	-
Closing balance	318,153,100	186,526,579
13.3 Interest suspense account		
Opening balance	14,964,890	3,325,089
Addition during the year	63,886,934	31,335,625
Recovered during the year	(42,348,199)	(11,180,394)
Written off during the year	-	(307,830)
Transfer to sundry creditors	-	(8,207,600)
Closing balance	36,503,625	14,964,890

	Amounts in Taka	
	At 31 Dec 2005	At 31 Dec 2004
13.4 Provision for corporate income tax		
Opening balance	346,295,119	301,576,674
<u>Less: Settlement during the year</u>	-	122,089,283
	346,295,119	179,487,391
<u>Add: Provision made during the year</u>	220,089,576	166,807,728
Closing balance	566,384,695	346,295,119

Position of Bank's corporate income tax provision is as follows:

Accounting year	Assessment year	Provision as per accounts	Tax as per assessment order	Excess/(Shortage) of provision	Present status/Assessment completed at the level of
2000	2001-2002	2,000,000	7,080,931	(5,080,931)	Tax appellate tribunal
2001	2002-2003	42,626,674	38,156,227	4,470,447	Tax appellate tribunal
2002	2003-2004	91,950,000	83,933,056	8,016,944	Tax appellate tribunal
2003	2004-2005	165,000,000	158,197,316	6,802,684	DCT
2004	2005-2006	166,807,728	139,126,551	27,681,177	Return submitted
2005	2006-2007	220,089,576	-	-	Return is yet to be submitted
		688,473,978	426,494,081	41,890,321	

13.5 Exchange equalisation account

Opening balance	3,339,553	3,339,553
<u>Add: Addition during the year</u>	-	-
Closing balance	3,339,553	3,339,553

13.6 Provision for gratuity

Opening balance	728,137	1,991,255
<u>Add: Charge during the year</u>	4,944,822	3,628,137
<u>Less: Transfer to gratuity fund during the year</u>	5,672,959	4,891,255
Closing balance	-	728,137

14. Share Capital

14.1 Authorised Capital

12,000,000 ordinary shares of Taka 100 each	1,200,000,000	1,200,000,000
---	----------------------	----------------------

14.2 Issued, Subscribed and Paid-up Capital

5,637,248 ordinary shares of Taka 100 each issued for cash	563,724,800	563,724,800
3,662,752 ordinary shares of Taka 100 each issued as bonus shares	366,275,200	180,275,200
	930,000,000	744,000,000

14.3 Percentage of shareholding

Category	At 31 Dec 2005		At 31 Dec 2004	
	No. of shares	%	No. of shares	%
Sponsors	4,778,803	51.38	3,823,048	51.39
Non-resident Bangladeshi	211,129	2.27	169,328	2.28
General public	2,856,857	30.72	2,226,878	29.93
Financial institutions	1,200,447	12.91	1,092,220	14.68
Investment companies	252,764	2.72	128,526	1.73
	9,300,000	100	7,440,000	100

14.4 Classification of shareholders by holding

Holding	No. of holders		% of total holding	
	2005	2004	2005	2004
Less than 500	2,782	1,776	3.94	3.06
501 to 5,000	370	289	5.55	5.84
5,001 to 10,000	29	28	2.11	2.61
10,001 to 20,000	24	36	3.67	7.00
20,001 to 30,000	15	12	4.03	3.99
30,001 to 40,000	15	18	5.98	8.20
40,001 to 50,000	10	12	4.76	6.95
50,001 to 100,000	18	11	12.96	11.42
100,001 to 1,000,000	22	18	57.00	50.93
Over 1,000,000	-	-	-	-
	3,285	2,200	100	100

14.5 Names of the Directors and their shareholdings as on 31 December 2005

Name of the Director	Shareholding		
	Status	At 31 Dec 2005	At 31 Dec 2004
Mr. M. Syeduzzaman	Chairman	53,326	42,661
Mr. A. Rouf Chowdhury	Vice Chairman	168,962	135,170
Mr. Arifur Rahman Sinha	Vice Chairman	53,326	42,661
Mr. Rumees Akhter Hossain	Director	382,985	306,388
Mr. Md. Anwar Hossain	Director	134,006	107,205
Mr. Md. Shafiuddin Chowdhury	Director	284,438	227,551
Mr. Mohd. Safwan Choudhury (Representing Phulbari Tea Estate Ltd)	Director	383,945	307,156
Mr. Md. Sirajul Haque	Director	213,303	170,643
Mr. Jahir Uddin	Director	53,326	42,661
Mr. Romo Rouf Chowdhury	Sponsor	106,651	85,321
Mr. Nafees Khundker	Sponsor	382,985	306,388
Mr. Anisur Rahman Sinha	Sponsor	53,326	42,661
Ms. Sabrina Chowdhury	Sponsor	211,546	169,237
Mr. Morshed Sultan Chowdhury	Sponsor	339,257	271,406
Mr. Mir Shahjahan	Sponsor	191,600	153,280
Ms. Monowara Haque	Sponsor	169,681	135,745
Ms. Razia Samad	Sponsor	106,652	85,322
Ms. Mahrina Chowdhury	Sponsor	191,440	153,152
Ms. Farhana Haque Choudhury	Sponsor	251,696	201,357
Ms. Hosne Ara Sinha	Sponsor	358,347	286,678
Ms. Naheed Akhter Sinha	Sponsor	358,347	286,678
Mr. Jahir Uddin (Representing Mostafa Steel Galvanizing Plant Ltd)	Sponsor	329,658	263,727

14.6 Capital adequacy ratio (CAR)

In terms of section 13(2) of Banking Companies Act 1991 and Bangladesh Bank BRPD circular nos. 01,14 and 10, dated 08 January 1996, 16 November 1996 and 25 November 2002 respectively, required capital of the Bank at the close of business on 31 December 2005 is Taka 1,565,027,480 as against available core capital of Taka 1,473,982,069 and supplementary capital of Taka 183,112,813, that is a total of Taka 1,657,094,882 thereby showing surplus capital/equity of Taka 92,067,402 at that date. Details are shown below:

	Amounts in Taka	
	At 31 Dec 2005	At 31 Dec 2004
14.6.1 Core capital (Tier I)		
Paid-up capital	930,000,000	744,000,000
Issue of bonus share	-	186,000,000
Proposed issue of bonus shares	186,000,000	-
Share premium account	330	330
Statutory reserve	351,826,300	231,106,109
Retained earnings	6,155,439	22,364,252
	<u>1,473,982,069</u>	<u>1,183,470,691</u>
14.6.2 Supplementary capital (Tier II)		
General provision (on unclassified loans)	179,773,260	114,282,000
Exchange equalisation account	3,339,553	3,339,553
	<u>183,112,813</u>	<u>117,621,553</u>
Total capital maintained (a)	<u>1,657,094,882</u>	<u>1,301,092,244</u>
Total assets (excluding off-balance sheet items)	23,379,964,628	17,810,533,529
Total risk-weighted assets	17,389,194,224	11,635,898,652
Required capital (9% of risk-weighted assets) (b)	1,565,027,480	1,047,230,879
Surplus (a-b)	<u>92,067,402</u>	<u>253,861,365</u>
Capital adequacy ratio	<u>9.53</u>	<u>11.18</u>

14.7 Capital requirement

	At 31 Dec 2005		At 31 Dec 2004	
	Required	Holding	Required	Holding
Core capital	4.5%	8.48%	4.5%	10.17%
Supplementary capital	4.5%	1.05%	4.5%	1.01%
Total	<u>9%</u>	<u>9.53%</u>	<u>9%</u>	<u>11.18%</u>

15. Statutory reserve

Opening balance	231,106,109	138,994,969
Addition during the year (20% of pre-tax profit)	120,720,191	92,111,140
Closing balance	<u>351,826,300</u>	<u>231,106,109</u>

16. Retained earnings

Opening balance	22,364,252	6,727,420
Add: Post-tax profit for the year	383,511,378	293,747,972
Less: Transfer to statutory reserve	120,720,191	92,111,140
Less: Proposed issue of bonus share	186,000,000	186,000,000
Less: Proposed cash dividend	93,000,000	-
Closing balance	<u>6,155,429</u>	<u>22,364,252</u>

	Amounts in Taka	
	At 31 Dec 2005	At 31 Dec 2004
17. Contingent liabilities and commitments	10,506,223,161	6,376,522,720
17.1 Claims against the Bank not acknowledged as debts		
Money for which the Bank is contingently liable in respect of guarantee given favouring:		
Directors	-	50,000
Government	1,268,051,921	600,594,391
Banks and other financial institutions	72,066,679	47,412,881
Others	172,889,122	111,107,086
	1,513,007,722	759,164,358
17.2 Commitments		
i Documentary credit and short term trade related transactions	2,011,380,036	4,796,325,629
ii Forward assets purchased and forward deposits placed	-	-
iii Undrawn formal standby facilities and credit lines and commitments to lend		
Below 1 year	-	-
1 year and over	-	-
iv Spot and forward foreign exchange rate contracts	-	-
v Other exchange contracts	-	-
	2,011,380,036	4,796,325,629

Profit and Loss Statement

	Amounts in Taka	
	At 31 Dec 2005	At 31 Dec 2004
18. Income statement		
Income		
Interest, discount and similar income	2,007,491,457	1,474,374,385
Dividend income	3,526,850	4,061,050
Fees, commission and brokerage	441,299,947	353,825,812
Gains less losses arising from dealing securities	-	-
Gains less losses arising from investment securities	-	-
Gains less losses arising from dealing in foreign currencies	-	-
Income from non-banking assets	-	-
Other operating income	72,579,046	35,492,183
Profit less losses on interest rate changes	-	-
	2,524,897,300	1,867,753,430
Expenses		
Interest, fees and commission	1,359,605,568	918,599,945
Losses on loans and advances	-	-
Administrative expenses	239,556,557	185,415,604
Other operating expenses	84,769,122	71,074,033
Depreciation on banking assets	40,247,317	33,964,225
	1,724,178,564	1,209,053,807
	800,718,736	658,699,623

Amounts in Taka

	At 31 Dec 2005	At 31 Dec 2004
19. Interest income		
Interest on loans and advances		
General loan	3,396,046	3,397,393
Demand loan	49,634,702	17,666,544
Term loan- industrial	186,417,736	82,276,968
Term loan- others	154,069,762	104,361,961
Overdraft	466,141,684	318,537,140
Cash credit	5,895,937	16,685,161
House building loan	1,487,660	550,028
Transport loan	23,761,565	11,393,286
Payment against document	147,305,950	110,886,292
Foreign bill purchase	17,107,727	826,836
Local bill purchase	117,892,065	96,945,128
Consumer credit	7,361,003	11,275,434
Loan against trust receipt	517,647,091	348,986,026
Packing credit	574,388	1,633,729
Poverty elevation loan	865,690	386,651
Staff Loan	3,638,079	2,700,662
Placement	73,517,758	96,398,502
Foreign currency accounts	3,323,610	4,98,029
Others loans and advances	13,719,895	60,310,511
	<u>1,793,758,348</u>	<u>1,285,716,281</u>
Interest on		
Accounts with foreign banks	10,612,538	5,366,528
Balance with other banks and financial institutions	-	-
	<u>10,612,538</u>	<u>5,366,528</u>
	<u>1,804,370,886</u>	<u>1,291,082,809</u>
20. Interest paid on deposits, borrowings, etc		
Interest on deposits		
Fixed deposits	1,097,110,755	722,454,479
Savings deposits	59,919,484	47,465,064
Short-term deposits	36,236,712	31,333,647
Other deposits	81,700,810	65,187,789
	<u>1,274,967,761</u>	<u>866,440,979</u>
Interest on borrowings		
Local banks including Bangladesh Bank	84,637,807	52,158,966
Foreign banks	-	-
	<u>84,637,807</u>	<u>52,158,966</u>
	<u>1,359,605,568</u>	<u>918,599,945</u>
21. Investment income		
Interest on treasury bills	195,109,102	176,790,992
Capital gain on sale of shares	-	15,426,600
Dividend on shares	3,526,850	4,061,050
Interest on other bonds	5,000,000	5,000,000
Interest on treasury bonds (Reverse repo)	1,636,470	-
Interest on debentures	1,374,998	1,512,500
	<u>206,647,420</u>	<u>202,791,142</u>

Amounts in Taka

	At 31 Dec 2005	At 31 Dec 2004
22. Commission, exchange and brokerage		
Fees and commission	203,841,847	128,255,932
Exchange	237,458,100	210,131,364
	441,299,947	338,387,296
23. Other income		
Account closing and service charge	21,388,378	11,492,666
Locker charge	590,100	454,590
Postage, swift, telex, etc recoveries	45,602,980	21,997,806
Non-operating income	4,997,589	1,547,121
	72,579,047	35,492,183
24. Salary and allowances		
Basic salary	49,254,320	89,826,564
Allowances	66,644,182	-
Festival bonus	9,150,429	6,451,985
Gratuity fund	4,944,822	3,628,137
Provident fund contribution	5,121,263	-
Performance bonus	17,898,071	13,603,991
	153,013,087	113,510,677
25. Rent, taxes, insurance, lighting, etc		
Rent, rates and taxes	33,579,392	28,740,183
Insurance	9,678,614	6,937,678
Utilities	9,180,638	7,268,419
	52,438,644	42,946,280
26. Legal expenses		
Legal expenses	384,573	327,416
Consultancy fees	502,973	588,108
	887,546	915,524
27. Postage, stamp, telecommunication, etc		
Postage	218,563	119,891
Courier	3,938,772	2,774,233
Telex	39,823	584,114
Internet	491,767	366,923
SWIFT charge	3,581,021	2,002,527
Reuters charge	800,000	1,628,800
ATM charge	2,517,700	3,006,000
Telephone- office	5,628,200	4,138,625
Telephone- residence	64,378	20,259
	17,280,224	14,641,372
28. Stationery, printing, advertisements, etc		
Stationery and printing	6,040,913	4,273,726
Books and periodicals	380,518	189,461
Calendar, diary, souvenir, etc	1,511,800	1,146,520
Advertisement	2,363,835	2,665,419
	10,297,066	8,275,126
29. Chief executive's salary and fees		
Basic salary	2,310,000	1,920,000
Allowances	1,620,000	1,620,000
Bonus	962,500	960,000
	4,892,500	4,500,000
30. Directors' fees		
Directors fees, etc @ Taka 2,500 per Director, per meeting	557,490	453,375
	557,490	453,375

Amounts in Taka

	At 31 Dec 2005	At 31 Dec 2004
31. Depreciation and repair of Bank's assets		
Repairs		
Building (space)	395,057	117,650
Furniture and fixtures	115,437	84,748
Equipment	1,375,921	1,207,796
Computer and accessories	412,067	515,581
Office maintenance	2,729,057	1,191,392
	5,027,539	3,117,167
Depreciation		
Building (space)	800,000	-
Furniture and fixtures	16,022,218	15,682,898
Equipment	8,163,410	7,891,139
Computer and accessories	5,969,646	5,632,316
Motor vehicles	4,284,505	1,640,705
	35,239,779	30,847,058
	40,267,317	33,964,225
32. Other expenses		
Computer expenses	15,845,979	9,466,089
Contractual service expenses	15,447,750	10,325,292
Car expenses	15,434,135	12,599,770
Interest on lease obligations	13,862,908	13,758,575
Entertainment	6,974,719	4,679,389
Donation and subscription	3,551,666	8,600,701
Travelling expenses	2,361,757	3,095,142
Office plantation	1,709,713	1,055,983
Training expenses	1,618,449	949,125
Superannuation fund	1,200,000	1,200,000
Directors travelling expenses	189,740	172,210
Professional services	8,550	-
Other management and administrative expenses	6,563,756	5,171,757
	84,769,122	71,074,033
33. Provision against loans and advances		
Classified	131,626,521	163,148,236
Unclassified	65,491,261	34,057,720
	197,117,782	197,205,956
34. Other provision	-	937,967
This provision has been made on prepaid legal expenses and protested bills as per Bangladesh Bank BRPD Circular # 14 of 2001.		
35. Appropriations		
Balance brought forward	22,364,252	6,727,420
Add: Post-tax profit for the year	383,511,378	293,747,972
Transferred to		
Statutory reserve	120,720,191	92,111,140
Proposed cash dividend	93,000,000	-
Bonus Shares Issued	1,86,000,000	1,86,000,000
	399,720,191	278,111,140
Balance carried forward to Balance Sheet	6,155,439	22,364,252
36. Earnings per share		
Profit after taxation	383,511,378	293,747,972
Number of ordinary shares outstanding	9,300,000	7,440,000
Earnings per share	41.24	39.48

Earnings per share (EPS) has been computed by dividing the basic earnings by the number of ordinary shares outstanding as on 31 December 2005 as per Bangladesh Accounting Standard 33.

	Amounts in Taka	
	At 31 Dec 2005	At 31 Dec 2004
37. Highlights of Activities		
Paid-up capital	930,000,000	744,000,000
Total capital	1,473,982,069	1,183,470,691
Capital surplus	92,067,402	253,861,365
Total assets	23,379,964,628	17,810,533,529
Total deposits	18,500,070,655	13,470,981,849
Total loans and advances	17,869,844,542	11,861,196,096
Total contingent liabilities and commitments	10,506,223,162	6,376,522,750
Credit-deposit ratio	96.59%	88.04%
Ratio of classified loans against total loans and advances	2.77%	3.30%
Profit after tax and provision	383,511,378	293,747,972
Classified loans at the end of the year	494,815,841	391,522,582
Provision kept against classified loans during the year	318,153,100	186,526,579
Provision surplus/ (deficit)	-	-
Cost of fund	7.58%	7.11%
Interest earning assets	21,659,871,655	16,212,102,042
Non-interest earning assets	1,720,092,974	1,598,431,487
Return on investments (RoI)	9.15%	6.26%
Return on assets (RoA)	2.58%	2.58%
Income from investments	206,647,420	202,791,142
Capital adequacy	9.53%	11.18%
Stock dividend	20%	25%
Cash Dividend	10%	-
Earnings per share	41.24	39.48
Price-earnings ratio	11.82	18.60

38. Assets and liabilities at 31 December 2005 denominated in foreign currencies have been converted to local currency Bangladesh Taka (BDT) at the following exchange rates:

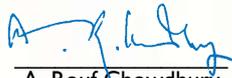
<u>Currency</u>	<u>Abbreviation and unit</u>		<u>Equivalent BDT converted by notional rate</u>
British Pound Sterling	GBP	1	92.00
European Currency	EURO	1	58.00
Japanese Yen	JPY	1	0.48
US Dollar	USD	1	58.00
Canadian Dollar	CAD	1	37.00
Australian Dollar	AUD	1	32.00
Swiss Frank	CHF	1	40.00
Asian Clearing House Union Dollar	ACUD	1	58.00

39. The external auditors of the Bank, S. F. Ahmed & Co, Chartered Accountants worked more than 800 man hour at the Bank's Corporate Office and different branches. During their audit, they audited above 80% of the Bank's risk weighted assets as on the reporting date.
40. Wherever considered necessary, previous year's figures have been rearranged for the purpose of comparison with current year's presentation without any impact on the profit and value of assets and liabilities as reported in the financial statements.
41. No material events had occurred after the balance sheet date to the date of issue of these financial statements, which could affect the values stated in the financial statements.
42. Earnings per share (EPS) has been computed by dividing the basic earnings by the number of ordinary shares outstanding as on 31 December 2005 as per Bangladesh Accounting Standard 33: "Earnings Per Share".
43. Figures in these notes and in the annexed financial statements have been rounded off to the nearest Taka.

For Bank Asia Ltd.


 Syed Anisul Haq
 President & Managing Director


 Md. Sirajul Haque
 Director


 A. Rouf Chowdhury
 Vice Chairman


 M. Syeduzzaman
 Chairman

Signed in terms of our report of even date annexed

Dated, 22 March 2006


 Auditors

Bank Asia Limited

Schedule of fixed assets as at 31 December 2005

Annex 1

Amounts in Taka

Asset category	C O S T			D E P R E C I A T I O N					Net book value at 31 Dec 2005	
	At 01 Jan 2005	Addition	Disposal/ adjustment	Total at 31 Dec 2005	Rate (%)	To 01 Jan 2005	50	On disposal/ adjustment		Total to 31 Dec 2005
Equipment	39,455,695	1,361,353	-	40,817,048	20%	11,691,620	8,163,410	-	19,855,030	20,962,018
Computer and accessories	28,161,578	1,686,650	-	29,848,228	20%	5,889,028	5,969,646	-	11,858,674	17,989,554
Furniture and fixtures including office renovation	78,414,490	1,596,602	-	80,011,092	20%	18,603,002	16,002,218	-	34,605,220	45,405,872
Vehicles	8,203,525	13,219,000	-	21,422,525	20%	1,762,705	4,284,505	-	6,047,210	15,375,315
Building	-	160,791,018	-	160,791,018	5%	-	800,000	-	800,000	159,991,018
Land	-	182,443,587	-	182,443,587	-	-	-	-	-	182,443,587
Total at 31 Dec 2005	154,235,288	361,098,210	-	515,333,498		37,946,355	35,219,779	-	73,166,134	442,167,364
Total at 31 Dec 2004	17,262,032	137,174,156	(197,900)	154,235,288		7,163,457	30,847,058	(64,160)	37,946,355	116,288,933

Fixed assets as shown above include leased assets as follows:

	Equipment	Computer and accessories	Furniture and fixtures	Vehicles	Building (space)	Total
A) Cost						
Opening balance	29,792,452	27,365,948	70,206,042	7,898,525	-	135,262,967
Additions during the year	-	-	-	13,125,000	16,000,000	29,125,000
Closing balance	29,792,452	27,365,948	70,206,042	21,023,525	16,000,000	164,387,967
B) Depreciation						
Opening balance	5,958,490	5,473,190	14,041,208	1,579,705	-	27,052,593
Additions during the year	5,958,490	5,473,190	14,041,208	4,204,705	800,000	30,477,593
Closing balance	11,916,980	10,946,380	28,082,416	5,784,410	800,000	57,530,186
Written down value at 31 December 2005 (A-B)	17,875,472	16,419,568	42,123,626	15,239,115	15,200,000	106,857,781

Sl. No.	Name	Status with the bank	Name of firms/companies in which the director had interest as proprietor/partner/ director/ managing agent/guarantor/employee
1	Mr. M. Syeduzzaman	Chairman	BOC Bangladesh Ltd Industrial and Infrastructure Development Finance Company Ltd (IIDFC) Bangladesh Rice Foundation Centre for Policy Dialogue Credit Rating Agency of Bangladesh IDB-BISEW (IDB BD Wakf Project)
2	Mr. A. Rouf Chowdhury	Vice Chairman	Rangs Ltd Rangs Workshop Ltd Rangs Industries Ltd Rangs Motors Ltd Rangs Properties Ltd Ranks ITT Ltd Dears International Ltd Rancon Motors Ltd Rancon Engineering Ltd Shield Security Services Ltd Reliance Insurance Ltd The Daily Star (Media World Ltd)
3	Mr. Arifur Rahman Sinha	Vice Chairman	Medlar Garments Ltd Medlar Fashions Ltd Sinha Fashions Ltd Sinha Apparels Ltd Medlar Apparels Ltd Spencer Apparels Ltd ZMS Fashions Ltd Sinha Rotor Spinning Ltd Sinha Textiles Ltd Sinha Dyeing and Finishing Ltd Sinha Knitting Ltd Simsan Ltd J. K. Fashions Ltd
4	Mr. Md. Shafiuddin Chowdhury	Director	Sea Resources Ltd Sea Fishers Ltd Deep Sea Fishers Ltd Sea Resources Cold Storage Ltd Fishers Shipyard Ltd Seamans Dockyard and Fishmeal Ltd Agro Food Services Ltd Sea Resources Agencies Ltd
5	Mr. Mohd. Safwan Choudhury (Representing Phulbari Tea Estates Ltd)	Director	M. Ahmed Tea and Lands Co. Ltd Phulbari Tea Estates Ltd M. Ahmed Cold Storage Ltd Premier Dyeing and Calendaring Ltd Chittagong Stock Exchange Ltd Friends In Village Development, Bangladesh Bangladeshiyo Cha Sangsad Anandaniketan Ltd
6	Mr. Md. Sirajul Haque	Director	Appollo Ispat Complex Ltd Appollo Cold Rolling Mills Ltd Haque Steel and Re-Rolling Industries Ltd Haque Steel Complex Ltd S. Co. Cement Ltd
7.	Mr. Jahir Uddin	Director	Mostafa Vegetable Oil Industries Ltd Mostafa Steel Galvanizing Plant Ltd Mostafa Re-Rolling Mills Ltd Mostafa Garments Industries Ltd

Sl. No.	Name	Status with the bank	Name of firms/companies in which the director had interest as proprietor/partner/ director/ managing agent/guarantor/employee
			Rahman Rexine Industries Ltd Mostafa Steels Ltd Mostafa Coconut Oil Industries Ltd Rahman Ship Breakers Ltd Mostafa Artificial Leather Industries Ltd M. M. Ship Breakers Ltd M. M. Vegetable Oil Products Ltd Mostafa Shrimp Products Ltd Hefazatur Rahman and Co. Ltd M. Rahman and Company Rahman Agro Firm Mostafa Real Estate Mostafa Safeguard Security Services M. M. Steel Galvanizing Plant Ltd Mostafa Paper Products Ltd Soudia Transport Service
8	Mr. Rumees Akhtar Hossain	Director	Rangs Industries Limited Rangs ITT Limited Romask Ltd
9	Mrs. Sohana Rouf Chowdhury	Alternate Director	Rangs Motors Limited Rangs Limited
10	Mr. Faisal Samad	Alternate Director	Savar Textiles Ltd
11	Mr. Md. Anwar Hussain	Director	Opex Garments Ltd Opex Fashions Ltd Chic Apparels (Pvt) Ltd Pritha Apparels Ltd Sinha Garments and Textile Ltd Miti Apparels Ltd Moury Fashions Ltd Ornate Garments Ltd Opex Apparels Ltd Opex Readywears Ltd Ornate Apparels Ltd Ornate Fashions Ltd Opex Industries Ltd Opex Style Wears Ltd Opex Knitting Ltd Opex Sweaters Ltd Opex Apparel Accessories Ltd Opex Washing Plant Ltd Opex C&F Ltd Balaka Fashions Ltd Classic Wears Ltd Jaycee Fashions (Pvt) Ltd Siman Ltd Progati Company (BD) Ltd Sinha Poly Industries Ltd Sinha Packaging Ltd Sinha Textiles Ltd Sinha Dyeing and Finishing Ltd Sinha Yarn Dyeing and Fabrics Ltd Sinha Rotor Spinning Ltd Sinha Knitting Ltd Sinha Home Furnishings Ltd
12	Mr. M. Shamsul Alam (Representing Amiran Generations Ltd)	Director (Public nominee)	
13	Lt. Col. (Retd.) Mr. Fariduddin Ahmed	Director (Public nominee)	