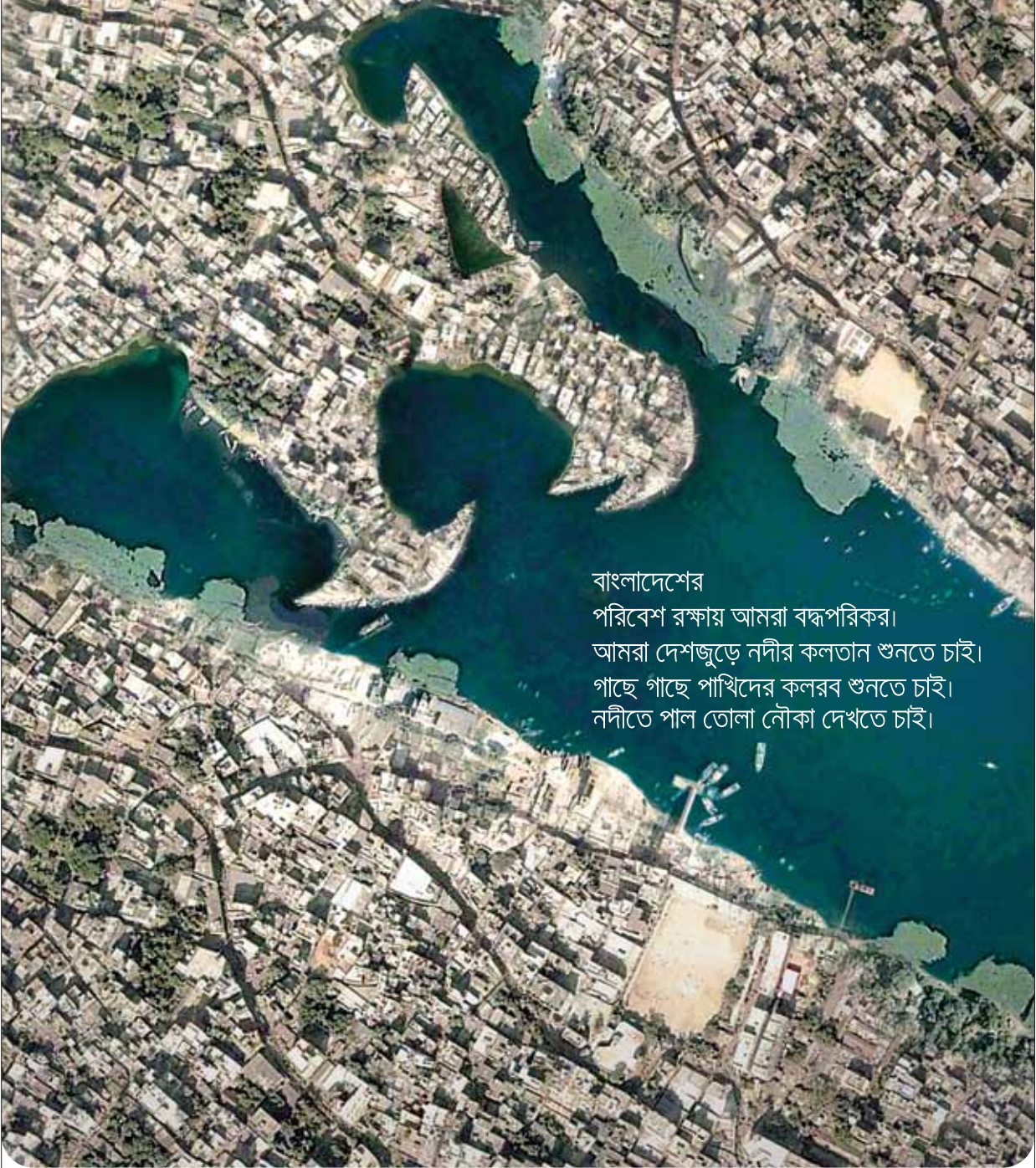




Annual Report | 2012





বাংলাদেশের
পরিবেশ রক্ষায় আমরা বদ্ধপরিষ্কর।
আমরা দেশজুড়ে নদীর কলতান শুনতে চাই।
গাছে গাছে পাখিদের কলরব শুনতে চাই।
নদীতে পাল তোলা নৌকা দেখতে চাই।

জলবায়ুর পরিবর্তন মোকাবেলায়
“তোমার পৃথিবী, তোমাকেই চায়”

বাংলাদেশের নদীগুলো
তাদের ঐতিহ্য ফিরে পাক
এটাই আমাদের কামনা।



31 Years of shared journey

Gears, chains, a little wiring and a steel body; these are the makings of a cycle. A kick to the paddle and the seemingly lifeless object comes alive. With a cycle, you are never alone. The world is yours to explore and your companion takes you places where no other vehicle can. It is a symbol of progress and sustainability.

On completing our 31 years of banking, we have tried to be your constant companion for financial journeys and we hope to be so for future too. With cycles as a symbol, we are celebrating our 31 years of shared journey.

AB Bank Limited Letter of Transmittal

All Shareholders of AB Bank Limited
Bangladesh Bank
Bangladesh Securities & Exchange Commission
Registrar of Joint Stock Companies & Firms
Dhaka Stock Exchange Limited
Chittagong Stock Exchange Limited

Dear Sir(s),

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

We are pleased to enclose a copy of the Annual Report together with the audited financial statements, including consolidated and separate balance sheet as on 31 December 2012, profit and loss account, cash flow statement, statement of changes in equity, liquidity statement for the year then ended, and a summary of significant accounting policies and other explanatory notes thereto of AB Bank Limited (the Bank) and its subsidiaries for your kind information and record.

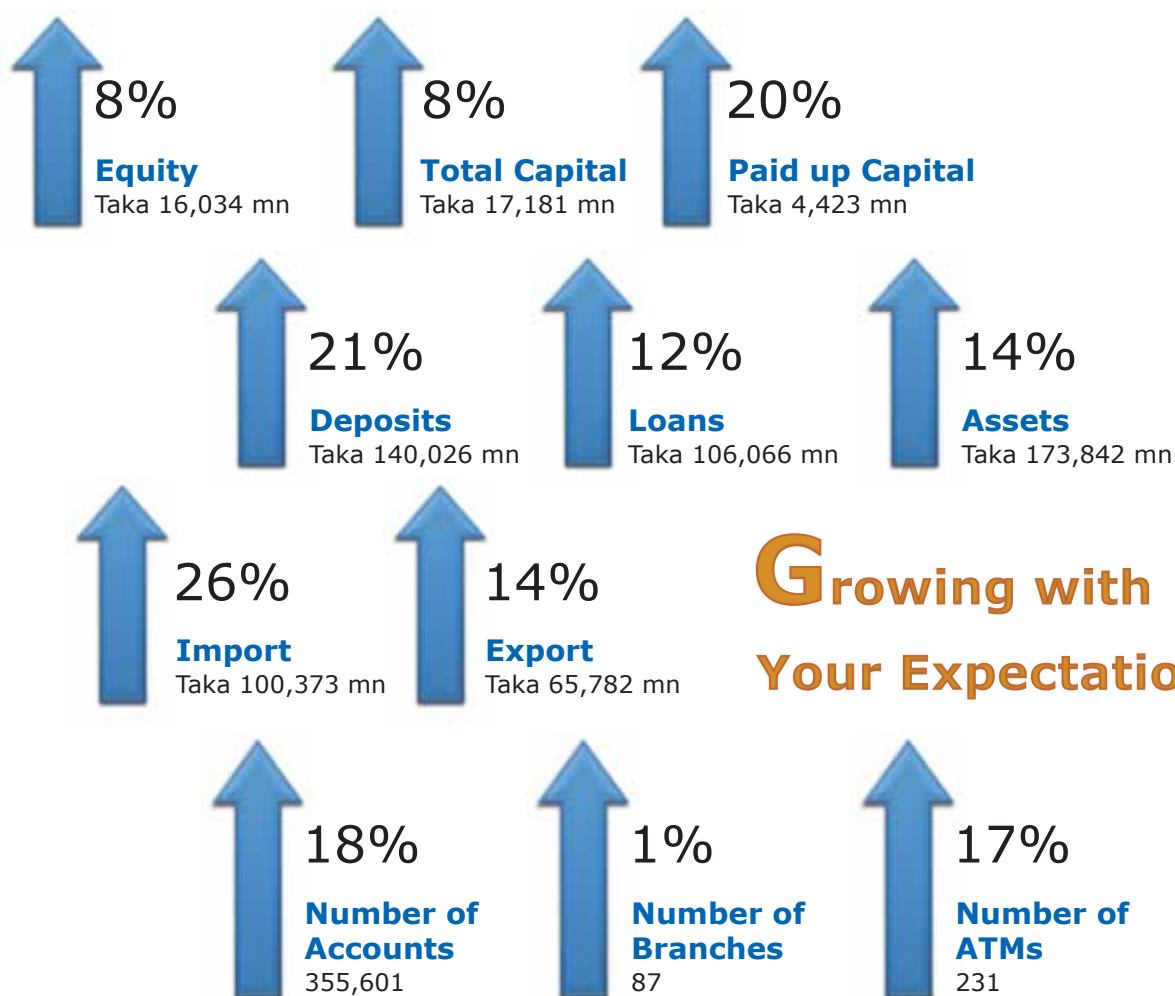
Financial Statements of 'The Bank' comprise those of Conventional Branches, Islamic Banking Branch, one overseas Branch at Mumbai, India and Offshore Banking Unit while consolidated financial statements comprise financial statements of 'The Bank' and its five subsidiaries namely - AB Investment Limited (ABIL), AB Securities Limited (ABSL), AB International Finance Limited (ABIFL), AB Exchange (UK) Limited (ABEL) and Cashlink Bangladesh Limited (CBL).

Yours Sincerely,



Mahadev Sarker Sumon FCA
Company Secretary

AB Bank Limited
Growth Glance 2012



| FINANCIAL ACHIEVEMENTS | 2012 | 2011 | 2010 | 2009 | 2008 |
|---------------------------|------|------|------|------|------|
| Growth in Equity | 8% | 7% | 37% | 51% | 49% |
| Growth in Paid up Capital | 20% | 15% | 25% | 15% | 200% |
| Growth in Total Capital | 8% | 9% | 34% | 47% | 55% |
| Growth in Deposits | 21% | 21% | 15% | 21% | 28% |
| Growth in Loans | 12% | 8% | 24% | 25% | 39% |
| Growth in Total Assets | 14% | 15% | 24% | 27% | 32% |
| Growth in Import | 26% | -12% | 38% | -6% | 45% |
| Growth in Export | 14% | 38% | 36% | 6% | 40% |

| | | | | | |
|------------------------------|--------|--------|-------|--------|--------|
| Earnings Per Share (EPS) | 3.25 | 3.00 | 8.36 | 7.60 | 5.20 |
| Capital Adequacy Ratio (CAR) | 11.73% | 11.37% | 9.91% | 11.09% | 12.84% |



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Vision

To be the trendsetter for innovative banking with excellence and perfection.

Mission

To be the best performing bank in the country.

Core Values

Our Compliance

We consider adherence to national policies and objectives a priority for giving our customers the best financial support with corporate integrity, meaning a fully compliant bank along with involvement in social development.

Our Customers

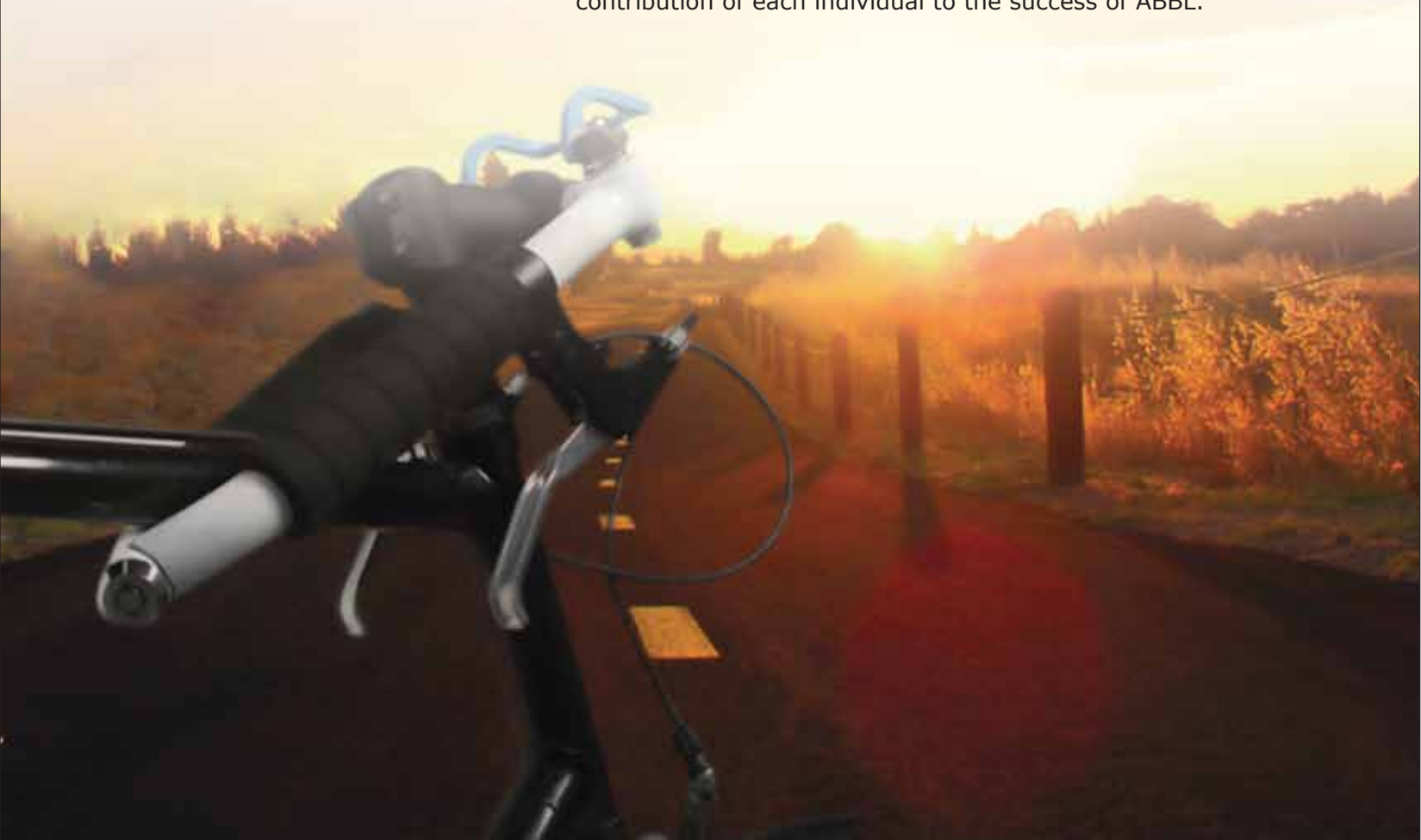
We give the best priority on our customer demand and through our endless effort we assure the best satisfaction to our customers.

Our Shareholders

We assure the best return to our shareholders' by commenced performance over a rolling year.

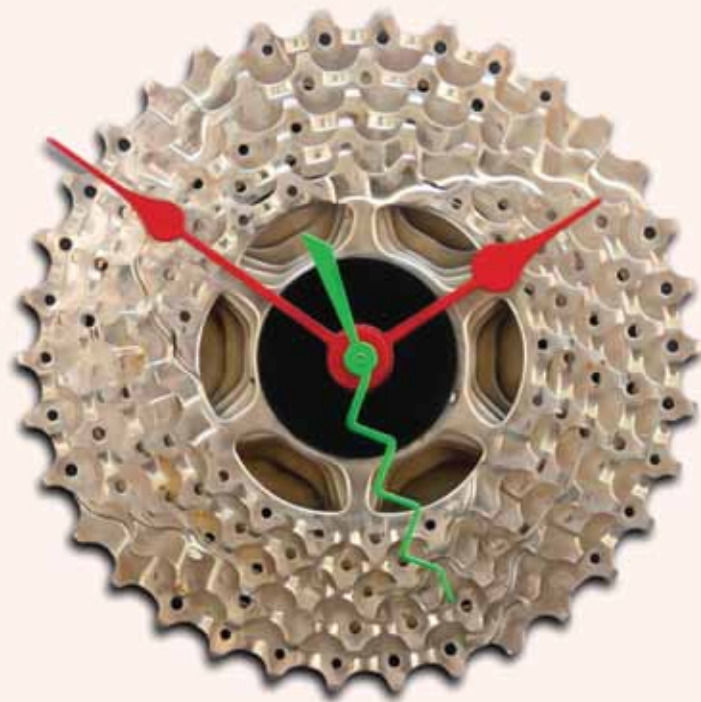
Our Team Members

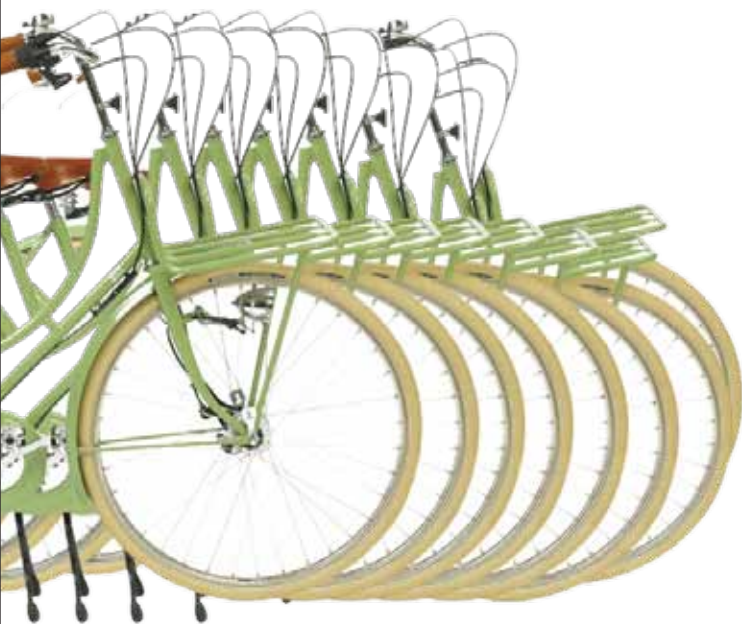
We provide secure, satisfying employment, ensuring the contribution of each individual to the success of ABBL.



Strategic Priorities 2013

- Maintaining the asset quality with reasonable asset growth, focusing the return to the shareholders.
- Strengthening the capital base through generation of capital keeping in mind the upcoming BASEL-III implementation.
- Streamlining the corporate portfolio-sectoral exposure and reaping benefit through nurturing of existing clients.
- Providing satisfactory, reliable and competitive service at reasonable cost to increase the service network within and beyond borders.
- Aligning operational procedures, information system towards business goal achievement and service delivery.
- Rationalizing manpower, organizational restructuring and promoting the capacity building activities through training and development.
- Boosting the deposit growth with optimum deposit mix by offering customer oriented products.
- Enhancing AB's image as a corporate citizen through compliantly doing socially responsible business and focusing on value driven CSR.





Chronicles

| | |
|--|--------------------|
| Certificate of Incorporation | December 31, 1981 |
| First meeting of the Board of Directors | February 5, 1982 |
| Commencement of Business | February 27, 1982 |
| Opening of the First Branch (Karwan Bazar Branch) | April 12, 1982 |
| Opening of ABIFL – Subsidiary at Hong Kong | November, 1995 |
| First Foreign Branch at Mumbai, India | April 6, 1996 |
| Opening of the Islamic Banking Branch | December 23, 2004 |
| Listing with Dhaka Stock Exchange (DSE) | December 28, 1983 |
| Publication of Prospectus for IPO | May 5, 1984 |
| Subscription for Share starts | June 25, 1984 |
| Listing with Chittagong Stock Exchange (CSE) | January, 1996 |
| Online share transaction in CDS | May 7, 2006 |
| Opening of Merchant Banking Wing (MBW) | November 2, 2002 |
| Incorporation of AB Bank Foundation | November 3, 2003 |
| Security Custodial Service License | January 22, 2007 |
| Incorporation of AB Investment Limited (ABIL) | December 24, 2009 |
| Launching of ATM | April 12, 2002 |
| Launching of Visa Card | December 23, 2004 |
| First ATM Booth launched at Board Bazaar (under CBL Network) | October 19, 2009 |
| New Logo Launch | January 01, 2008 |
| Opening of AB Bank Training Academy | October 07, 2008 |
| Customer Service Desk placed at Branches | November, 2008 |
| First SME Center opened (at Principal Branch) | March 29, 2009 |
| Primary Dealership License | December 08, 2009 |
| Off-shore Banking Unit | December 06, 2009 |
| Incorporation of AB Exchange (UK) Limited | June 03, 2010 |
| Incorporation of AB Bank Limited, Myanmar Rep. Office | December 10, 2010 |
| Launching of Internet Banking | October 24, 2011 |
| Business Automation | |
| MISYS Roll-out (1st Phase) | March, 2007 |
| Islamic Banking Software 'Ababil' Launched | July 13, 2008 |
| Mumbai Branch gets connected with Central Network | April 20, 2009 |
| Trade Innovation (TI) Module Roll Out (completed) | April 27, 2009 |
| Disaster Recovery Site (DR Site) starts operation | April 28, 2009 |
| Automated Cheque Requisition System | May 04, 2009 |
| Digitalization of Authorized Signatories | October 17, 2009 |
| Centralized Fixed Asset | December 14, 2009 |
| SMS Banking Services | August 10, 2010 |
| Cheque truncation & automated clearing process | October 7, 2010 |
| Internet Banking Services | November 25, 2010 |
| Electronic Fund Transfer (EFT) | February, 2011 |
| Automation of Credit Information Bureau (CIB) | August 25, 2011 |
| Automation for Off-shore Banking | December 6, 2012 |
| Anti-Money Laundering Solution | January 1, 2013 |
| Bank Guarantee | March 6, 2013 |
| Branching-out | |
| Opening of Principal Branch | January 16, 1986 |
| First Branch in Chittagong Division (Agrabad Branch) | September 19, 1982 |
| First Branch in Sylhet Division (Dargha Gate Branch) | May 27, 1983 |
| First Branch in Khulna Division (Khulna Branch) | March 15, 1984 |
| First Branch in Rajshahi Division (Bogra Branch) | July 25, 1984 |
| First Branch in Barisal Division (Barisal Branch) | October 7, 1986 |
| First Branch in Rangpur Division (Saidpur Branch) | July 19, 1986 |

AB Bank Limited

Products and Services

Corporate & Structured Finance

Term Loan
Time Loan
Trade Finance
Trust Receipt
Working Capital
Bill Discounting
Letter of Guarantee
Syndication Arrangement
Agency Function
Syndication Participation
Equity Financing & Arrangement
Corporate Advisory Service

Small & Medium Enterprise (SME) Loans

- Choto Puji Rin
- Proshar
- Digun
- Uddog
- Goti
- Awparajita
- Sathi

Treasury and Foreign Exchange Products

Money Market

- Overnight (call)
- Repo
- SWAP
- Term
- Reverse Repo

FX Market

- Spot
- Corporate
- Forward

Retail Products

Personal Loan (Unsecured)
Personal Loan (Secured)
Home Loan
Education Loan
Auto Loan
Debit Card

Deposit Accounts

Savings Account
MaxSaver
Current Account
Special Notice Deposit
Fixed Term Deposit
Foreign Currency Account
NFCD
RFCD
School Banking
Family Savings Plan (FSP)
Double Deposit Scheme (DDS)
Monthly Savings Deposit Scheme (MSDS)
Monthly Income Deposit Scheme (MIDS)

Service Products

24 hour ATM access
Online Banking
SMS Banking
Internet Banking
Exchange Houses
SWIFT

Islami Banking

Deposit Products

- Al-Wadiah Current Deposit
- Mudaraba Savings Deposit
- Mudaraba Special Notice Deposit
- Mudaraba Term Deposit
- Mudaraba Pension Deposit Scheme
- Mudaraba Quarterly Profit Paying Scheme
- Mudaraba Probable Millionaire Deposit Scheme
- Mudaraba Hajj Deposit Scheme
- Mudaraba Monthly Profit Payment Deposit Scheme
- Mudaraba Cash Waqf Deposit
- Mudaraba Marriage Savings Deposit Scheme

Investment Products

- Bai-Murabaha
- Bai-Muajjal
- Bai-Muajjal (TR)
- Hire-Purchase under Shirkatul Melk (HPSM)
- Murabaha Post-Import (MPI)
- Quard against MTDR



M. Morshed Khan

First Sponsor Chairman, AB Bank Limited



M. Wahidul Haque
Chairman, AB Bank Limited

AB Bank Limited Message from the Chairman

Bismillahir Rahmanir Rahim

Assalamualaikum

Distinguished Shareholders

I am pleased to present before you the Annual Report of 2012. I would like to take this opportunity to express my personal and on behalf of the Board of AB Bank, our sincere thanks and gratitude to our honorable shareholders for your cooperation and understanding, without which it would not have been possible for us to achieve what we have done under a very trying business environment.

The challenging journey now over 31 years has made AB one of the leading and successful Private Sector Commercial Banks in the country. Our 30th anniversary tagline “First of many firsts” clearly epitomizes our endeavors and also specifies the steps we have taken in this journey; which were pioneering in Bangladesh’s growing and competitive banking sector. We believe that it is our passion for service and quality, customer centricity, innovation and value creation and above all our courage and humility distinguish us as a bank of choice and trust. The result of our hard work and the collective wisdom has brought us here, where we are the leading bank in corporate business, trade finance & International trade in Bangladesh, that’s why we have chosen this year’s tagline as “31 Years of shared journey” to show our respect and appreciation for our esteemed stakeholders.

Global economic meltdown of 2008/09 continued to recover in a sluggish manner in 2012. The sovereign debt crisis in the Euro Zone represents a looming threat to the recovery of the world economy and could lead to renewed global financial difficulties. Financial difficulties are also striking the USA & UK. The trade and financial channels of developing economies are also being affected. In 2012, global growth was expected to be 3.2 percent while the average for developing countries was projected at 5.5 percent.

Despite a falling trend of global economy following the aftermath of the financial crisis, Bangladesh has consistently achieved growth rates over 5 percent since 2009. Compared to the global average, Bangladesh achieved higher GDP growth rates. When we compare Bangladesh to other developing and emerging countries, the country has maintained a satisfactory growth rate. The growth projection for 2013 is similar to that of other developing and emerging countries in the face of Euro-Zone crisis, slower than expected growth of India and China.

বিসমিল্লাহির রাহমানির রাহিম

আসসালামুআলাইকুম

সম্মানিত শেয়ারহোল্ডারবৃন্দ,

আপনাদের সামনে ২০১২ সালের বার্ষিক প্রতিবেদন উপস্থাপন করতে পেয়ে আমি খুবই আনন্দিত। এই সুযোগে আমি ব্যক্তিগতভাবে এবং এবি ব্যাংকের পরিচালনা পর্ষদের পক্ষ থেকে আপনাদের সবাইকে আন্তরিক ধন্যবাদ ও কৃতজ্ঞতা জানাই। আপনাদের উদার সহযোগিতা এবং আমাদের প্রতি অবিচল আস্থার কারণেই আজ এবি ব্যাংক সাফল্যের অগ্রযাত্রা অব্যাহত রাখতে সক্ষম হয়েছে। এ কথা নির্দিষ্ট বলতে পারি যে, আমাদের প্রতি আপনাদের যে আস্থা, তা না থাকলে প্রতিকূল ব্যবসায়িক পরিবেশে আমরা আমাদের লক্ষ্য অর্জন করতে পারতাম না।

আপনারা এটাও জানেন যে, আমাদের অভিযাত্রা গত ৩১ বছর ধরে চলেছে। এই চলার পথে কম চ্যালেঞ্জ মোকাবেলা করতে হয়নি। সব চ্যালেঞ্জ মোকাবেলা করে আজ আমরা এবি ব্যাংককে দেশের শীর্ষস্থানীয় ও সাফল্যপূর্ণ একটি বেসরকারি ব্যাংকে রূপান্তর করতে সক্ষম হয়েছি। আমাদের ৩০ বছর পূর্তিতে শ্লোগান ছিল “অনেক প্রথমের প্রথম”। আর এ শ্লোগানের মধ্য দিয়ে আমাদের বর্ণাঢ্য গৌরবগাঁথা এবং ব্যর্থকিং সেবায় নতুনত্ব আনয়নে অগ্রণী ভূমিকার কথা প্রতিফলিত হয়েছে। আর এভাবেই এবি ব্যাংক বাংলাদেশে বিকাশমান ও প্রতিযোগিতাপূর্ণ ব্যর্থকিং খাতে নেতৃত্ব দিয়ে চলেছে।

আমরা বিশ্বাস করি, আমাদের সেবা ও গুণগত মানের প্রতি আপোসহীনতা, গ্রাহক উদ্ভাবনী প্রোডাক্ট ও মূল্য সংযোজন, সর্বোপরি আমাদের সাহস ও মানবিকতার কারণেই এবি ব্যাংক আজ গ্রাহকদের আস্থা ও পছন্দের শীর্ষে। কঠোর পরিশ্রম ও দলগত প্রজ্ঞা আমাদেরকে আজকের এ অবস্থানে নিয়ে এসেছে, যেখানে করপোরেট ব্যবসা-বাণিজ্য, অর্থায়ন ও আন্তর্জাতিক বাণিজ্যে আমরাই প্রথম ও অন্যতম শীর্ষস্থানীয় ব্যাংক। আর এ কারণে চলতি বছর শ্লোগান নির্ধারণ করা হয়েছে- “৩১ বছরের পথচলায় সহযাত্রী”; যার মাধ্যমে আমরা আমাদের সম্মানিত স্টেকহোল্ডারদের সম্মান ও স্বীকৃতি জানাতে চাই।

আপনারা জানেন, ২০০৮/০৯ অর্থবছর থেকে বিশ্বজুড়ে যে মন্দা চলছে, তার রেশ এখনও কাটেনি। ২০১২ সালে কোনো কোনো দেশের অর্থনীতির মন্দাবস্থা কিছুটা পুনরুদ্ধার হলেও তার মাত্রা ছিল খুবই স্বল্প। ইউরো অঞ্চলের সার্বভৌম ঋণ সংকট পুরো বিশ্বের অর্থনীতিতে সতর্ক সংকেত দিয়ে যাচ্ছে যে, সহসাই পরিস্থিতির উন্নতি হচ্ছে না। যা বিশ্ব আর্থিক খাতে আরো কঠিন পরিস্থিতির ইঙ্গিত বহন করে। বিশ্ব আর্থিক সংকটের অভিঘাত থেকে যুক্তরাষ্ট্র, যুক্তরাজ্যও বাদ পড়েনি। উন্নয়নশীল দেশগুলোর বাণিজ্য ও আর্থিক চ্যানেলগুলোও মন্দার অভিঘাতে ক্ষতিগ্রস্ত। যে কারণে ২০১২ সালে বিশ্ব অর্থনৈতিক প্রবৃদ্ধির প্রত্যাশিত হার ছিল ৩ দশমিক ২ শতাংশ, যেখানে বৈশ্বিক প্রবৃদ্ধির প্রক্ষেপণ করা হয় সাড়ে ৫ শতাংশ।

আশার কথা যে, বিশ্ব অর্থনীতির নিম্নমুখী ধারার মধ্যেও বাংলাদেশ ২০০৯ সাল থেকে টানা ৫ শতাংশের বেশি প্রবৃদ্ধি অর্জন করে যাচ্ছে। বিশ্বের গড় প্রবৃদ্ধির তুলনায় বাংলাদেশ উচ্চহারে জিডিপি প্রবৃদ্ধি অর্জন করতে পারছে। অন্যান্য উন্নয়নশীল ও উদীয়মান অর্থনীতির তুলনায়ও বাংলাদেশের প্রবৃদ্ধি অর্জনের হার সন্তোষজনক। চলতি ২০১৩ সালেও একই ধরনের উচ্চ প্রবৃদ্ধি আশা করা হচ্ছে, যেখানে ইউরো অঞ্চলের সংকটের প্রভাব মোকাবেলা করতে হচ্ছে অন্য উন্নয়নশীল ও উদীয়মান দেশগুলোকে। চীন, ভারতেও যেখানে প্রত্যাশিত প্রবৃদ্ধি অর্জিত হচ্ছে না।

AB Bank Limited Message from the Chairman

In 2012, macroeconomic position of the country started with a volatile position. The first half of the year was alarming but due to timely intervention of Bangladesh Bank and by implementing robust macroeconomic and structural reforms to correct emerging imbalances; the latter half experienced improved balance of payments and declining inflationary trends. The current account surplus nearly doubled due to robust remittance in-flow with a higher revenue mobilization. The gray side of our economy was the continuing downtrend of the capital market, low investment opportunities, scarcity of direct foreign investments and gloomy infrastructural development with persistent energy crisis.

The banking industry in 2012 was not excluded from the shocks of the economy. From a sectoral governance point of view, the year was full of disappointments. Scams in various state owned and private commercial banks have eroded the confidence of common people and taken a toll on the national economy. Labor unrest in RMG sector for wage increase, safety and compliance issues, low infrastructural development, environmental embargo on ship-breaking business, stagnancy in real estate sector with power shortage and lack of gas connectivity, all these as a whole negatively impacted macroeconomic parameters and conditions were not conducive to the banking sector. In this situation, maintaining asset quality became a huge dilemma for the banking sector, furthermore, reform of the loan classification and stricter provisioning criteria set by Bangladesh Bank made business more difficult.

In this backdrop, AB Bank laid much emphasis on core banking and been vigilant about asset quality, which in turn, enriched the shock absorption capacity of the Bank. In 2012, we prioritized the retail business. Corporate portfolio was rationalized, manpower requirement revisited, organizational restructuring was taken in hand to reduce imbalances; businesses monitoring and risk management platform was strengthened. We have also concentrated on value driven CSR activities.

The Bank was able to make only 1% growth in operating profit, while the profit after tax showed a growth of 8%. Classified loans increased to 3.32% from last year's 2.82%.

Riding on prudent and sound policy we were able to maintain a strong capital adequacy ratio of 11.73%. Earnings per Share (EPS) at Taka 3.25 showed a growth of 8.32% over last year. We believe that it is the dedication, professionalism and desire to achieve that drives the AB Family to succeed in this difficult year for the banking sector.

২০১২ সালের গোড়ার দিকে দেশের সামষ্টিক অর্থনীতি একটি অস্থির অবস্থার মধ্যে দিয়ে অতিক্রম করেছে। বছরের প্রথমার্ধ কেটেছিল খুবই উদ্বেগজনকভাবে। শেষার্ধে এসে বাংলাদেশ ব্যাংকের সময়োচিত হস্তক্ষেপ এবং ভারসাম্যহীনতা কাটাতে নেয়া সামষ্টিক ও কাঠামোগত সংস্কার দ্রুতই পরিস্থিতি বদলে দিতে থাকে। বছরের শেষার্ধে সামষ্টিক অর্থনৈতিক অবস্থার সূচকগুলো অনেক ভাল অবস্থানে চলে আসে। এ সময়ে লেনদেনের ভারসাম্য আগের চেয়ে ভাল হয়। কমে আসে মূল্যস্ফীতি। প্রবাসী আয়ের গতিশীল প্রবাহ আর রাজস্ব আয়ে ব্যাপক সাফল্যে চলতি হিসাবের উদ্বৃত্ত প্রায় দ্বিগুণে উন্নীত হয়।

তবে এ সময়েও আমাদের অর্থনীতিতে কিছু অনভিপ্রেত দিক ছিল। এর মধ্যে ছিল পুঁজিবাজারের ক্রমাগত নিম্নমুখী ধারা, বিনিয়োগের সীমিত সুযোগ, প্রত্যক্ষ বৈদেশিক বিনিয়োগ স্বল্পতা, অবকাঠামো উন্নয়নে ধীরগতি এবং বিদ্যমান জ্বালানি সংকট।

আলোচিত বছরে ব্যাংকিং খাতও অর্থনীতির এই ধাক্কা থেকে রেহাই পায়নি। সংশ্লিষ্ট খাতের সুশাসনের দিক থেকে এ বছরটি ছিল হতাশায় মোড়ানো। বিভিন্ন সরকারি ও বেসরকারি ব্যাংকে ঘটে যাওয়া কেলেঙ্কারি ব্যাংক ব্যবস্থার প্রতি সাধারণ মানুষের আশায় চিড় ধরিয়েছে। আর কোন না কোনভাবে এর মাশুল দিতে হয়েছে আমাদের অর্থনীতিকে। বেতন-ভাতা বৃদ্ধি, নিরাপত্তা ও সঠিক কর্ম-পরিবেশ ইস্যুতে বছরব্যাপী তৈরি পোশাক শ্রমিকদের বিক্ষোভ-অসন্তোষ দানা বেঁধে ওঠে। অবকাঠামো উন্নয়নের ধীর গতি, জাহাজ-ভাঙ্গা শিল্পে পরিবেশগত নিষেধাজ্ঞা, বিদ্যুৎ ও গ্যাস সংযোগের অভাবে আবাসন শিল্পে নেমে আসা স্থবিরতা সামষ্টিক অর্থনীতির বিভিন্ন সূচকে নেতিবাচক প্রভাব ফেলে। আর ব্যাংকিং খাতও এর বাইরে ছিল না।

এমন একটি প্রতিকূল অবস্থা যা সম্পদের গুণগত মান রক্ষা করার ক্ষেত্রে ব্যাংকিং খাতকে জটিল পরিস্থিতির মুখে ফেলে দেয়। অন্যদিকে ঋণ পুনঃতফসিল নীতিমালায় পরিবর্তন ও সঞ্চিতির বিষয়ে কড়াকড়ি ব্যাংকের ব্যবসাকে আরো কঠিন করে তোলে।

এমতাবস্থায় এবি ব্যাংক কোর ব্যাংকিং এবং সম্পদের মানের উপর অধিক মনোনিবেশ করেছে। এটি ব্যাংকের সংকট সহন ক্ষমতা বাড়িয়েছে। ২০১২ সালে আমরা খুচরা ব্যবসাকে বেশি অগ্রাধিকার দিয়েছি। তবে করপোরেট গ্রাহকদের সঙ্গে ব্যবসায় যৌক্তিক পর্যায়ে ছিল। এ সময়ে জনবল চাহিদা পূনর্মূল্যায়ন করা হয়েছে। একই সঙ্গে চলেছে প্রাতিষ্ঠানিক পুনর্গঠন। আর এসবের মাধ্যমে ব্যাংকের ব্যবসা ও কাঠামোগত ভারসাম্যহীনতা অনেকটাই দূর করা সম্ভব হয়েছে। গত বছর ব্যবসা মনিটরিং ও ঝুঁকি ব্যবস্থাপনা আরও জোরদার করা হয়। এছাড়াও আমরা মূল্যবোধভিত্তিক সিএসআর কার্যক্রমে মনোনিবেশ করেছি। এই উদ্যোগে ভাল ফলও পাওয়া গেছে।

আলোচিত বছরে পরিচালন মুনাফায় ১ শতাংশ প্রবৃদ্ধি হলেও, ব্যাংকের কর পরবর্তী মুনাফা বেড়েছে ৮ শতাংশ। আগের বছর শ্রেণীকৃত ঋণ ছিল ২ দশমিক ৮২ শতাংশ, যা বর্তমান বছরে এসে দাঁড়ায় ৩.৩২ শতাংশে।

দূরদর্শী ও কার্যকর নীতিমালার কারণে আমরা মূলধন পর্যাগততার অনুপাত সঠিকভাবে ধরে রাখতে পেরেছি। আলাচ্য বছরে শেয়ার প্রতি আয় বা ইপিএস হয়েছে ৩ টাকা ২৫ পয়সা, যা আগের বছরের চেয়ে ৮ দশমিক ৩২ শতাংশ বেশি। আমরা বিশ্বাস করি এবি ব্যাংক পরিবারের নিষ্ঠা, পেশাগত দক্ষতা এবং ভাল করার প্রবল আকাঙ্ক্ষা একটি প্রতিকূল বছরেও আমাদেরকে ভাল ফল এনে দিয়েছে।

AB Bank Limited Message from the Chairman

I think the projected economic growth of 6.4%, in 2013, is quite impressive as it is our experience that the macroeconomic conditions in the election years get greatly affected by political unrest, exaggerated budget and also suffer from low internal-external investments. Global economy in the coming year is also not expected to be any better than it has been in 2012. Capital market of the country has experienced a turbulent situation since 2010 and continues to weaken without any hope of a rapid recovery.

In spite of the above, we look forward to achieving bigger targets and strengthening our position in the upcoming years. I believe that in the coming days, our innovative and creative employees, directed by our efficient Management team, will ensure delivery of more consumer-oriented banking products and services through continuous efforts and set a definite benchmark for the entire banking industry.

On behalf of members of the entire AB family, I express heartfelt thanks and gratitude to you for your unfailing faith and trust in us. Your unconditional support and direction along with the faith and trust of our clients have been the prime driving force behind our Bank in times of political, business and economic challenges throughout our journey.

I would like to emphasize on the immense significance of strategic view points of the Sponsors, their trust and support to the Board of AB which has enabled us to battle through various challenges that have come its way in the last 31 years.

I would also like to express my deep gratitude to our respected Regulators, Shareholders, Customers, Well-wishers, Print & Electronic media and the Stakeholders for their continuous support and guidance for excellence in banking. We remain grateful to all of you.

Thank you all

Assalamualaikum



M. Wahidul Haque
Chairman

আমি মনে করি, ২০১৩ সালের ৬ দশমিক ৪ শতাংশ প্রবৃদ্ধি অর্জনের লক্ষ্যমাত্রা যথেষ্ট যৌক্তিক। যদিও আমাদের অভিজ্ঞতা বলে যে, নির্বাচনের বছরে রাজনৈতিক অস্থিরতা, সম্প্রসারণশীল বাজেট এবং আভ্যন্তরীণ ও বিদেশী বিনিয়োগের স্বল্পতা সামষ্টিক অর্থনীতিকে ব্যাহত করে। আগামী বছরে বৈশ্বিক অর্থনীতি বর্তমান থেকে ভাল যাবে এমন প্রত্যাশাও করা যাচ্ছে না। ২০১০ সাল থেকে দেশের পুঁজিবাজারে অস্থিতিশীলতা এবং ক্রমাগত নিল্লেখ্যমুখীতার ফলে এ বাজারের খুব দ্রুত ঘুরে দাঁড়ানোর মত পরিস্থিতি কিংবা জোরালো আশা দেখা যাচ্ছে না।

এতদসত্ত্বেও আগামী বছরগুলোতে আমরা আরও বড় লক্ষ্যমাত্রা ঠিক করেছি এবং আমরা আশাবাদী, ব্যাংকের অবস্থা আরও শক্তিশালী হবে। আমি বিশ্বাস করি, আগামী দিনগুলোতে আমাদের সৃজনশীল কর্মীরা দক্ষ ম্যানেজমেন্টের দিকনির্দেশনায় আরও গ্রাহকমুখী নতুন পণ্য ও সেবা উদ্ভাবনে সক্ষম হবে যা সামগ্রিক ব্যাংকিং খাতে মাইলফলক হয়ে থাকবে।

আপনারা আমাদের উপর অপরিসীম বিশ্বাস ও আস্থা রাখায় আমাদের পুরো এবি ব্যাংক পরিবারের পক্ষ থেকে আমি আপনাদেরকে হৃদয় উৎসারিত ধন্যবাদ ও কৃতজ্ঞতা জানাই। আপনাদের নিঃশর্ত সমর্থন ও দিকনির্দেশনা, বিশ্বাস এবং আস্থা; প্রতিকূল রাজনৈতিক, ব্যবসায়িক ও অর্থনৈতিক চ্যালেঞ্জ মোকাবেলার ক্ষেত্রে আমাদের অগ্রযাত্রায় সবচেয়ে বড় উদ্দীপক শক্তি হিসেবে কাজ করে আসছে।

এবি ব্যাংকের পরিচালনা পর্যদের প্রতি অবিচল আস্থা রাখা ও উদার সহযোগিতার জন্য আমাদের উদ্যোক্তাদের প্রতিও রইলো সবিশেষ কৃতজ্ঞতা, যারা গত ৩১ বছরে নানা প্রতিকূলতা ও চ্যালেঞ্জ মোকাবেলায় আমাদের সহায়তা করেছেন যার ফলশ্রুতিতেই আমরা সাফল্যের সিঁড়ি বেয়ে ৩১ বছরে পদার্পণ করতে পেরেছি।

আমি আমাদের সম্মানিত রেগুলেটর, শেয়ারহোল্ডার, গ্রাহক, শুভানুধ্যায়ী, প্রিন্ট ও ইলেকট্রনিক মিডিয়া এবং সকল স্টেকহোল্ডারদের গভীর কৃতজ্ঞতা জানাই। আপনাদের ধারাবাহিক সমর্থন, আস্থা এবং দিকনির্দেশনা ব্যাংকিংয়ে অসাধারণ মান বজায় রাখতে আমাদের সহায়তা করেছে। আপনাদের সবার কাছে আমরা কৃতজ্ঞ।

সবাইকে ধন্যবাদ

আসসালামুআলাইকুম



M. Fazlur Rahman

President & Managing Director, AB Bank Limited

AB Bank Limited From the desk of President & Managing Director

The global economy experienced a downturn curve in 2012. Adverse economic complexity of Euro Zone and sluggish recovery of major trading partner-USA and UK economies-made the scenario more difficult. Microeconomic environment of Bangladesh in year 2012 was in mixed performance.

In case of AB, 2012 was a difficult year and it was not otherwise for the banking industry as a whole. Some unavoidable internal and external factors affected the banking industry. In this backdrop, our main focus was to extend support to our customers for continuing their business operation as well as to ensure bank's asset quality. Despite the difficult situation in the Banking Industry, we performed reasonably well. Our Deposits increased by 20.56%, while the Loans and Advances grew by 12.07%. In case of international trade, Import increased by 26.32% and Export by 14.22%.

During my association with AB as its Managing Director a question has always confronted me as whether the Bank should go for profit motive only. Under the new banking dimension, it is further crystalized that Banks also should go for socially responsible and sustainable business growth. As such like in the past, we prioritized our best efforts in export promotion, employment generation, import substitution and also in projects contributing to the government exchequers, development of agriculture, small and women entrepreneurs, human resources etc.

AB started its journey as first Private Sector Commercial Bank of the country in the year 1982, now one of the leading and successful Private Sector Commercial Bank of the country.

Considering the industry business scenario, it was very difficult to maintain asset quality. In 2012, AB's classified loan increased to 3.32% from last year's 2.82%, non-performing loan rose to 3.80% from 3.05%. However, despite such unfavorable situation the year-end capital adequacy ratio maintained a strong position of 11.73% against its regulatory requirement of 10%. Earnings per Share also increased from Tk 3.00 to Tk 3.25.

AB's visionary policy is to enhance the service network and extend cross boundary banking facility to the customer and as such we have extended our services out of the country through the following windows : i) AB Exchange (UK) Ltd., London, ii) AB International Finance

Limited, Hong Kong, iii) Mumbai Branch, India, iv) Equity participation in Amana Bank, Sri Lanka, v) Representative Office, Myanmar, and vi) Representative Office, London.

For maintaining customer trust, reliable and satisfactory service is a must. I believe without skill and trained employee, it is impossible. I believe in target driven business and using the employees' power to achieve our target together, rather than establishing bosses' power on our employees. I believe in teamwork and all-round performance to lead the team in the right direction to execute the strategic plan and thus continue the Bank's record of success.

The economic outlook for the foreseeable future is not quite well. We are heading prudently to manage our portfolio and focusing on maintaining all operational issues. We are doing our business within the Regulatory Guidelines and Policies to achieve the economic and regulatory target of Bangladesh Bank.

I would like to thank the Ministry of Finance, Bangladesh Bank, Bangladesh Securities & Exchange Commission (BSEC), National Board of Revenue (NBR) and other regulatory bodies for their continued support and valuable guidelines. I express my deep gratitude to all the Stakeholders for their faith and trust; which is the main driving force of our Bank in any critical situation.

I would also like to thank the Board of Directors and the shareholders for their confidence in the Bank Management. I am proud and honored for this opportunity to lead this great institution and its 2070 employees. I am grateful to the Team AB for making a difference and dedication for every success story of AB. I also would like to remember the contributions of our past and present employees who have contributed immensely to make the success story of AB Bank. I would like to thank all of them on behalf of AB family.

Thank you.



M. Fazlur Rahman
President & Managing Director

AB Bank Limited Board of Directors

Standing from left

Shishir Ranjan Bose FCA, Md. Mesbahul Hoque, Faheemul Huq, Feroz Ahmed, B. B. Saha Roy, Md. Anwar Jamil Siddiqui, Ghulam Sarwar, Syed Afzal Hasan Uddin

Sitting from left

Runa Zakia Shahrood Khan, Salim Ahmed, M. Wahidul Haque, M. Fazlur Rahman, M. A. Awal, Prof. Dr. M. Imtiaz Hossain



AB Bank Limited

Composition of Board and Committees

BOARD OF DIRECTORS

Chairman

M. Wahidul Haque

Vice Chairman

Salim Ahmed

Directors

Feroz Ahmed

M.A. Awal

Faheemul Huq, Bar-at-Law

Syed Afzal Hasan Uddin, Bar-at-Law

Gholam Sarwar

Md. Mesbahul Hoque

Md. Anwar Jamil Siddiqui

B. B. Saha Roy

Independent Director

Shishir Ranjan Bose, FCA

Depositor Directors

Prof. Dr. M. Imtiaz Hossain

Runa Zakia Shahrood Khan

President & Managing Director

M. Fazlur Rahman

Company Secretary

Mahadev Sarker Sumon FCA

EXECUTIVE COMMITTEE

Chairman

Salim Ahmed

Members

M. Wahidul Haque

Syed Afzal Hasan Uddin, Bar-at-Law

Md. Mesbahul Hoque

M. Fazlur Rahman

Secretary

Mahadev Sarker Sumon FCA

AUDIT COMMITTEE

Chairman

Shishir Ranjan Bose, FCA

Members

M. Wahidul Haque

Salim Ahmed

M. A. Awal

Syed Afzal Hassan Uddin, Bar-at-Law

Secretary

Mahadev Sarker Sumon FCA

SHARIAH SUPERVISORY COMMITTEE

Chairman

Shah Abdul Hannan

Vice Chairman

M. Azizul Huq

Members

Dr. Md. Harun Rashid

Muhammad Musa

M. Wahidul Haque

M. Fazlur Rahman

Secretary

Mukhlesur Rahman

AB Bank Limited Directors' Profile

M. Wahidul Haque Chairman

Mr. M. Wahidul Haque joined the Board of Directors of AB Bank Limited on December 12, 2007 as Director. He was unanimously elected as the Chairman of the Board of Directors in July 2008 and continuous to be the Chairman of the Bank.

Mr. Haque is also the Managing Director of Deundi Tea Company (UK) Limited and The Noyapara Tea Company (UK) Limited both of which are UK registered companies. He had been the Chairman of Bangladesh Tea Association for six (6) years, representing tea plantation owners in Bangladesh.

He is a member of the Executive Committee of Bangladesh Tea Board- a Government body to regulate tea/coffee plantations in Bangladesh.

Mr. Haque also represents owner on the Board of Trustees of Plantation Employees Provident Fund, managed by Government of Bangladesh (Labor Ministry).

He is also a Trustee in the Tea Workers Welfare Trust constituted by the Government for the Welfare and enhancing education etc. for the tea plantation workers. He is the office bearer of the Bangladesh Employers Federation (Dhaka) as well.

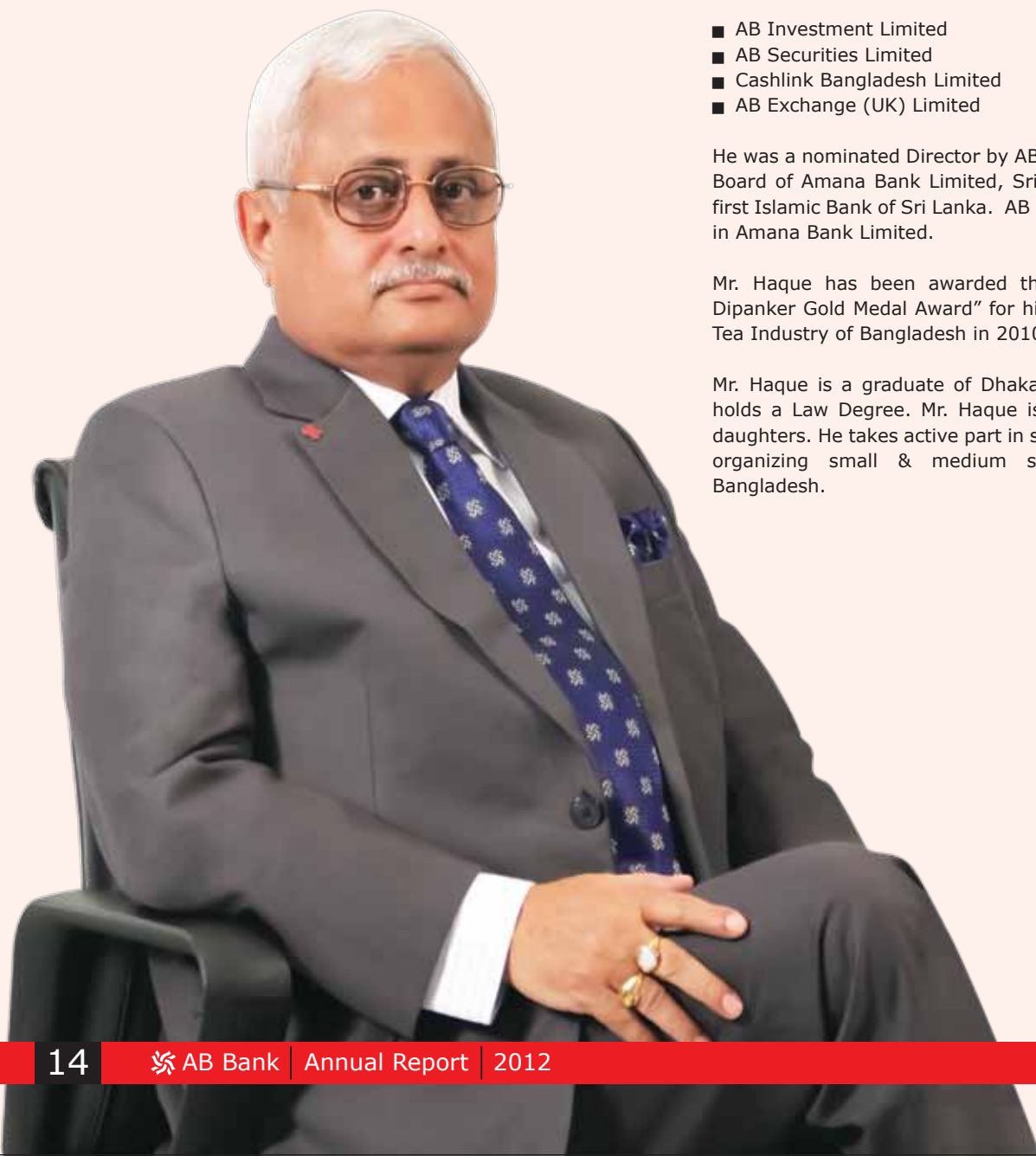
Mr. Haque also holds the position of the Chairman of the Board of the following subsidiary companies:

- AB Investment Limited
- AB Securities Limited
- Cashlink Bangladesh Limited
- AB Exchange (UK) Limited

He was a nominated Director by AB Bank Limited, in the Board of Amana Bank Limited, Sri Lanka, which is the first Islamic Bank of Sri Lanka. AB Bank has 15% equity in Amana Bank Limited.

Mr. Haque has been awarded the prestigious "Atish Dipanker Gold Medal Award" for his contribution to the Tea Industry of Bangladesh in 2010.

Mr. Haque is a graduate of Dhaka University and also holds a Law Degree. Mr. Haque is married with three daughters. He takes active part in social activities and in organizing small & medium sized businesses in Bangladesh.



AB Bank Limited
Directors' Profile



Salim Ahmed
Vice Chairman

Mr. Salim Ahmed is the Chairman of Elite Paint and Chemical Industries Limited. He represents one of the sponsor shareholders of AB Bank Limited. Mr. S. Ahmed became Vice Chairman of the Board on October 19, 2008. He is also the Chairman of the Executive Committee of the Board. A successful industrialist and sports enthusiast, Mr. S. Ahmed is also connected with various sports bodies and philanthropic organizations. He is a member of the Executive Body of FBCCI and also the former President of Bangladesh Paint Manufacturers Association (BPMA).

AB Bank Limited Directors' Profile



Feroz Ahmed
Director

Feroz Ahmed is a Director of AB Bank Limited and also the former Vice Chairman of the Board. He is also the Managing Director of Elite International Ltd, Hexagon Chemical Complex Ltd. and Ahmed Securities Services Ltd among others. Apart from business activities, Mr. Feroz is also involved with various Socio-Cultural, Philanthropic and Sports organizations. He was associated with the Bangladesh Cricket Board (BCB) as its AD-HOC Executive Committee Member. He is also an Executive Committee Member of Bhatiary Golf & Country club, life member of Chittagong Zila Krira Sangstha and member of Chattagram Mohanagari Krira Sangstha. He is also life member of Red Crescent Society, Chittagong, Maa O Shishu Haspatal, Chittagong.

Syed Afzal Hasan Uddin
Director

Syed Afzal Hasan Uddin is a Director of AB Bank Limited. He graduated from King's College, London in 1993 and was called to the Bar from Lincoln's Inn, London in March 1996. Mr. Afzal Hasan Uddin is the Managing Partner of Syed Ishtiaq Ahmed & Associates, one of the prominent law firms of the country. Prior to joining Syed Ishtiaq Ahmed & Associates, he worked for the Civil Litigation Department of Price Waterhouse in London. He enrolled as Advocate of the High Court Division of the Supreme Court of Bangladesh in 2001. Mr. Afzal Hasan Uddin's area of expertise includes advising clients in the areas of telecommunication, energy and power generation, mergers and acquisitions, due diligence of companies and general corporate and commercial affairs.



Faheemul Huq
Director

Faheemul Huq, Barrister-at-Law, a distinguished legal practitioner in the country is vastly known for his profound knowledge in Corporate and Banking Sector. Apart from his legal profession, the contribution of Mr. Huq in the policy matter of the Bank is significantly conspicuous. Mr. Huq's wide amplitude of knowledge in Banking Sector has assisted the bank in deciding various complicated issues.



AB Bank Limited Directors' Profile



Md. Mesbahul Hoque
Director

Md. Mesbahul Hoque, Director, started his career in Country's Pharmaceutical Sector in 1969 by joining May & Baker (UK) Ltd presently known as Aventys (BD) Ltd. At present, he is the Managing Director of Therapeutics (BD) Ltd. and an active member of Bangladesh Pharmaceuticals Society; and also the Chairman, Reptiles Farm Ltd. (first crocodile captive breeding farm in Bangladesh).

Gholam Sarwar
Director

Gholam Sarwar has held the position of a Director of AB Bank Limited from January 10, 2010 to July 16, 2008 and had been re-appointed for the post again on December 24, 2012. He is also the Director of Pacific Industries Limited, Pacific Motors Ltd. and Therapeutics (BD) Ltd. He has about 45 years of experience in Automobile Sector.



B.B. Saha Roy
Director

B.B Saha Roy has completed his MBA from the renowned IBA, DU and has worked as a General Manager for Berger Paints Ltd. for twenty years. He currently holds the position of Managing Director and CEO of Elite Paint Group of Companies.

AB Bank Limited Directors' Profile



M. A. Awal
Director

M. A. Awal joined in AB Bank Limited as Director on July 16, 2008. He has over 40 years of banking experience serving in senior responsible positions in different Banks including AB Bank. Prior to his Directorship, Mr. Awal served as the Advisor and also Chief Consultant of the Bank for over two years.

Md. Anwar Jamil Siddiqui
Director

Anwar Jamil Siddiqui is one of the respected directors of AB Bank Limited. His valuable contribution to the bank is highly esteemed as it is a result of his immense experience in the corporate world for over 50 years. He is also the Director of Therapeutics (BD) Ltd and Pacific Motors Ltd.



Shishir Ranjan Bose, FCA
Independent Director



A fellow of Institute of Chartered Accountants of Bangladesh, Mr. Bose joined AB Bank Limited on July 16, 2008 as a Director of the Board. Having a long 25 years of experience in the field of chartered accountancy, Mr. Bose also became the Chairman of the Audit Committee of the Board on July 22, 2008. He has been nominated as the Independent Director of the Board.

AB Bank Limited Directors' Profile



Prof. Dr. M. Imtiaz Hossain
Depositor Director

Prof. Dr. M. Imtiaz Hossain is a Depositor Director of AB Bank Limited. A PhD holder from the University of Manchester Institute of Science and Technology, Manchester, UK, Mr. Hossain is currently the Vice Chancellor of Islamic University of Technology, Gazipur, Bangladesh. He is a Fellow of the Institution of Engineers, life Fellow of Bangladesh Society of Mechanical Engineers and also a life Member of National Oceanographic and Maritime Institute, Bangladesh.

Runa Zakia Shahrood Khan
Depositor Director

Runa Zakia Shahrood Khan is a Depositor Director of the Bank. She is the Founder and Executive Director of "Friendship", an NGO engaged in Sustainable Integrated Development projects, including healthcare, relief and rehabilitation, livelihood and income generation, education and cultural preservation, in remote, unaddressed, hard-to-reach riverine and Char areas. She is also an acknowledged national award winning writer of Educational Books for children. A lady with many talents, Mrs. Khan has received many international awards including The Rolex Awards in 2006, the IDB Award for women in 2008, and an Ashoka Fellowship for her innovative method for pedagogy in public primary schools and was awarded the Schwals Foundation's 2012 Social Entrepreneur award.



M. Fazlur Rahman
President & Managing Director

M. Fazlur Rahman was appointed as the President and Managing Director of AB Bank Limited on April 10, 2012. Prior to the appointment, he served in AB Bank in different capacities including Additional Managing Director and Deputy Managing Director leading the Corporate and Structured Finance Division of the Bank. Mr. Rahman also served in AB Bank as the Head of the Investment Banking Wing of the Bank, Chief Financial Officer and Company Secretary and contributed immensely to the progressive growth of the Bank. As Additional Managing Director and Head of Corporate and Investment Banking, he succeeded the former President and Managing Director of the Bank in acting capacity as at the close of business on January 16, 2012.

AB Bank Limited
Core Management Committee

Standing from left
Mahadev Sarker Sumon FCA, Ahsan Afzal, Badrul Haque Khan, M. Fazlur Rahman, Shamim A. Chaudhury, Moshirur Rahman Chowdhury



AB Bank Limited Management Committee

Core

M. Fazlur Rahman
President & Managing Director

Shamim A. Chaudhury
Deputy Managing Director

Badrul Haque Khan
Deputy Managing Director

Ahsan Afzal
Deputy Managing Director

Moshiur Rahman Chowdhury
Deputy Managing Director

Mahadev Sarker Sumon FCA
CFO & Company Secretary

Extended

Abu Hena Mustafa Kamal
SEVP & Head of Financial Institutions
& Treasury

Md. Azad Hossain
SEVP & Head of Credit Administration
Management

Asif Zaman
EVP & Head of Human Resources

Reazul Islam
EVP & Head of Information Technology
& eBiz

Amzad Hossain
EVP & Head of Internal Control
& Compliance

Md. Monzur Mofiz
EVP & Head of CFD

Salma Akter
SVP & Head of Credit Risk Management

Syed Mizanur Rahman
SVP & Head of Consumer Banking

M. Azizul Huq
Head of Islamic Banking

Mahmudul Alam
SVP & Head of Structured Finance

Mahbubuzaman
EVP & Relationship Manager, Principal
Branch

Shamima Hedayet
SVP & Relationship Manager
Motijheel Branch

Md. Faruque Ahmmed
SAVP & Head of SME (Acting)

Regions

Dhaka

Chowdhury Manzoor Liaquat
EVP & Regional Relationship Manager
(Region 1)

Md. Altaf Hossain
EVP & Regional Relationship Manager
(Region 2)

Rajshahi

Md. Abdul Maleque
VP & Regional Relationship Manager

Chittagong

Mohammed Ishaque Chowdhury
SEVP & Regional Relationship Manager
(Region 1)

Ashraful Aziz
SVP & Regional Relationship Manager
(Region 2)

Sylhet

Golam Mahmud Rizvi
SVP & Regional Relationship Manager

Khulna

Anisuddin Ahmed
VP & Regional Relationship Manager
(Acting)

ASSET LIABILITY COMMITTEE

Chairman
M. Fazlur Rahman
President & Managing Director

Members
Shamim A. Chaudhury, DMD
Badrul Haque Khan, DMD
Ahsan Afzal, DMD
Moshiur Rahman Chowdhury, DMD
Abu Hena Mostafa Kamal, SEVP
Mahadev Sarker Sumon FCA, CFO & CS
Salma Akter, SVP

Secretary
Aminur Rahman, SVP

SUPERVISORY REVIEW PROCESS (SRP) TEAM

Head of the Team
M. Fazlur Rahman
President & Managing Director

Members
Shamim Ahmed Chaudhury, DMD
Badrul Haque Khan, DMD
Abu Hena Mustafa Kamal, SEVP
Asif Zaman, EVP
Mahadev Sarker Sumon FCA, CFO & CS

Secretary
Jalal Ahmed, VP



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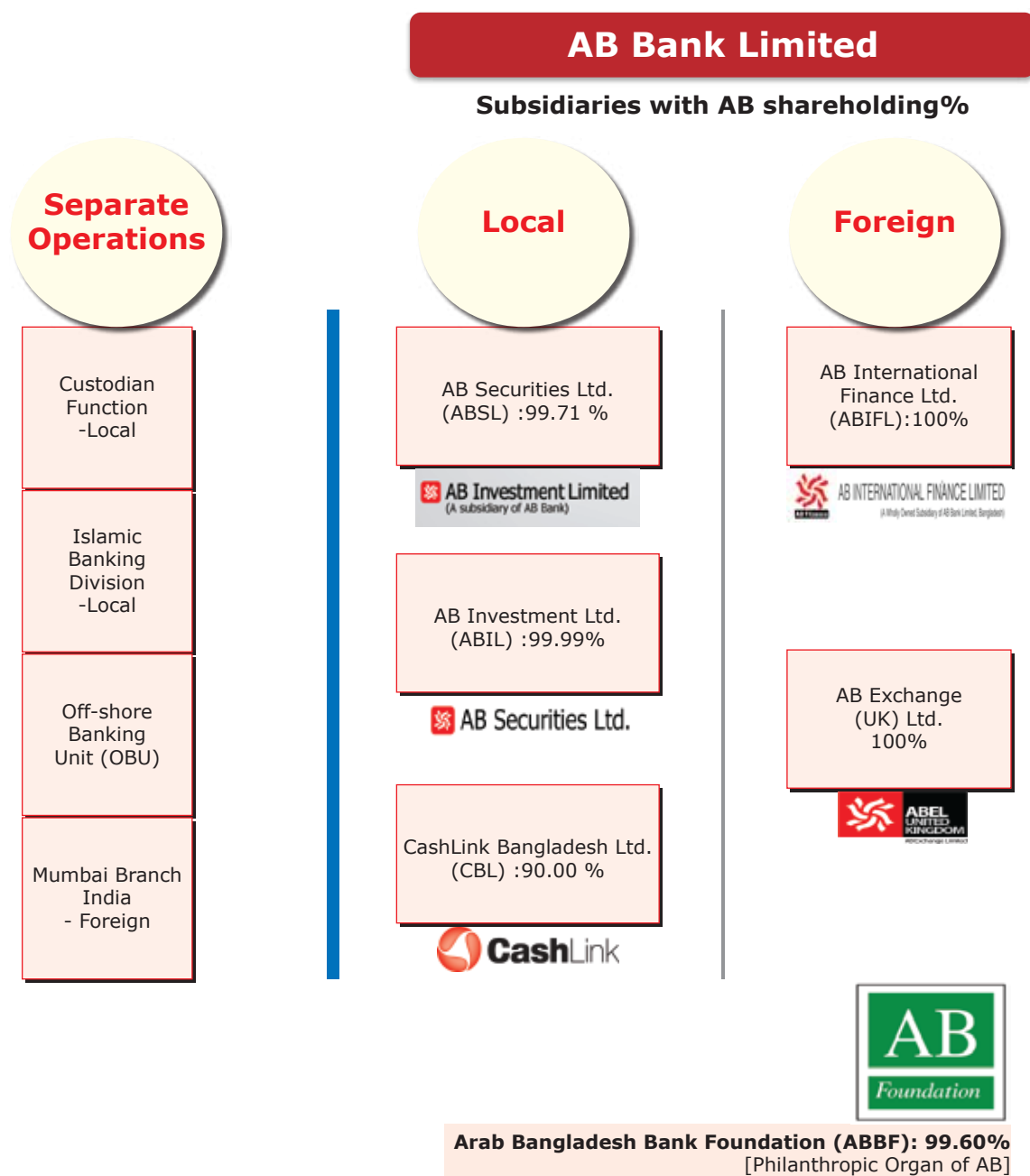
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Corporate Governance



AB Bank Limited

Group Corporate Structure



AB Bank Limited Corporate Governance

Corporate Governance policies and practices of the Bank are focused on ensuring fairness, transparency and accountability in the organization as a whole. Bank is structured and systems and processes organized aligned with accepted Corporate Governance practices and also in line with guidelines of Bangladesh Bank and the Bangladesh Securities and Exchange Commission (BSEC) in this regard. While pursuing the goal of Shareholders value addition, Bank attached utmost importance to setting up of well-defined compliance oriented organization and business structure.

Board of Directors of AB comprises of 14 (fourteen) Members. This is in conformity of Bangladesh Bank guidelines and also the Articles of Association of the Bank. Board includes an Independent Director and two Depositor Directors in pursuance with respective regulatory requirements respectively.

Board of Directors of AB is a professionally run forum having members from various backgrounds and professions.

Board is the apex body for strategy and policy formulations and for taking decisions on business, operational and financial matters besides ensuring compliance and risk management of the Bank. This is run professionally following the guidelines of Bangladesh Bank and also within the authorities of the Memorandum and Articles of Associations of the Bank. Management of the Bank operates within the policies, guidance and limits approved by the Board.

Board holds meeting regularly and sits at least once in a month.

Executive Committee of the Board is formed following the guidelines of Bangladesh Bank in this respect and comprises of 5 (five) members nominated by the Board. Vice-Chairman of the Board is the Chairman of the Executive Committee. Executive Committee operates within the Terms of Reference (TOR) set by the Board.

Audit Committee of the Bank has been formed in strict compliance of Bangladesh Bank guidelines and accordingly comprises of 5 (five) members. Chairman of the Audit Committee is the Independent Director of the Board. Company Secretary acts as the Secretary of the Committee while other members of the Management attends the Committee Meeting on invitation only. Audit Committee has set Terms of Reference as contained in Bangladesh Bank guidelines.

Shariah Council of the Bank has 7 (seven) members for overseeing and strategic guidance of the Islamic Banking business. The Council comprises of scholarly persons and operates as per the assigned responsibilities.

Regulatory compliance disclosure

Bank has been following related guidelines on submission of Quarterly, Half-yearly and Yearly financial statements and other statutory reports. Any significant development in the business is forth-with disclosed through the adherence of proper rules/guidelines/directive in the form of price sensitive declarations.

Bank also ensures submission of returns to regulatory bodies in full-compliance of the requirements and appropriate disclosures ensuring transparency and accountability.

Board of Directors ensures adequate disclosures for the Shareholders and other stakeholders through the Annual Report or other specific disclosures if required.

Delegation of Power

Management of the Bank has been empowered with appropriate finance and business decision making authorities as per the guidelines of Bangladesh Bank.

Credit Committee of the Bank has been delegated with the authority for Credit approval up to a given limit. Board has approved a Procurement Manual to cover the purchase of goods and services and other procurements of the Bank.

Besides, various manuals, policies and guidelines were approved by the Board from time to time with levels of authority and process delegation varied across the Bank.

Bank also has well empowered **ALCO** to deal with assets and liabilities management.

President & Managing Director is the Executive Head of the Bank. Bank has approved **Organizational Structure (Organogram)** upto the Unit Level with clear functional segregation and also segregation of processing functioning (Front and Back office) authorities. This ensures Core Risk Management compliance across the Bank. Bank's functions and plans also consider various regulatory limits and restrictions to be risk compliant, as well.

A **Risk Management Division (RMD)** has been formed in compliance with the relevant guidelines of Bangladesh Bank. **Bank also has a SRP Team** in place.

In the overall, the Bank is governed by the rules, regulations, guidelines, directions and policies as applicable for the banking business and operation. Different control aspects on the basis of need, regulatory or business, are in place which includes capital adequacy, risk management, market and liquidity, anti-money laundering compliance, prudential guidelines, reporting standards among others.

AB Bank Limited Corporate Governance

Other operations of AB like AB International Finance Limited (ABIFL) at Hong Kong, AB Exchange (UK) Limited and the Branch in Mumbai, India are governed by the rules and regulations of the respective countries. While the two subsidiaries - AB Investment Limited (ABIL) and AB Securities Limited (ABSL) governed by rules and regulations of the Bangladesh Securities and Exchange Commission (BSEC) mostly.

Bank has also acquired 90 percent shareholding of Cashlink Bangladesh Limited (CBL) a company engaged in EFT business. This governed under the Companies Act besides other applicable regulatory requirements.

Business Plan vs Achievements in 2012

Business Plan of the Bank provides for the Working Platform embodying the growth aspect, profitability, risk appetite, capital management etc. It also embodies accountability in terms of set KPI's and acts as a roadmap for Shareholders value addition.

Overall performance of the Bank in 2012 with respect to Business Plan Target is given below:

| Taka in Crore | Actual 2012 | Budget 2012 | Achievement of Budget |
|------------------------------------|-------------|-------------|-----------------------|
| Operating Profit | 436 | 443 | -1.61% |
| Loans & Advances | 10,607 | 9,997 | 6.10% |
| Deposits | 14,003 | 12,547 | 11.61% |
| Import | 10,037 | 8,041 | 24.82% |
| Export | 6,578 | 6,686 | -1.62% |
| Guarantee | 1,320 | 1,173 | 12.53% |
| Inward Remittance (in USD million) | 22 | 28 | -21.43% |

Audit by Bangladesh Bank

Bangladesh Bank conducted the comprehensive inspection of Head Office and 18 selected Branches based on December 31, 2012. A tri-party meeting among Bangladesh Bank, External Auditors and Management of the Bank has conducted for finalization of Annual Financial Statements.

External Audit

External Auditor also covered potential Branches and Head Office as part of the Annual Audit Program. External Audit covered 80% of the risk assets.

Auditors submitted a Management Report with a Special Section on the Internal Control Functions of the Bank. The Report was discussed in the Board of Directors meeting. Board referred the Report for detailed review as to compliance to the Audit Committee.

Internal Control and Compliance Division (ICCD)

Bank has a separate Division for Internal Control & Compliance monitoring. This Division operates independently and has given responsibilities by the Board in line with the Bangladesh Bank guidelines.

Head of Internal Control & Compliance is accountable to the Audit Committee of the Board.

Rating

AB Bank Limited was rated by Credit Rating Agency of Bangladesh Limited (CRAB). The summary of their ratings is given below:

| Surveillance Rating (2012) | Long Term | Short Term |
|----------------------------|-----------------|------------|
| | AA ₃ | ST-2 |
| Date of Rating | May 26, 2013 | |
| Validity Date | June 30, 2014 | |

Credit Rating Agency of Bangladesh (CRAB) has affirmed 'AA₃' rating in the long term and 'ST-2' rating in the short term of AB Bank Limited for the year ended December 31, 2012 (based on Audited Financials).

Commercial Banks rated 'AA₃' in the long term belongs to "Very strong capacity & very high quality" cohort. Banks rated 'AA₃' has very strong capacity to meet their financial commitments. 'AA₃' rated banks are judged to be very high quality and are subject to very low credit risk.

Commercial Banks rated 'ST-2' in the short term is considered to have strong capacity for timely repayment. Commercial Banks rated in this category are characterized with commendable position in terms of liquidity, internal fund generation, and access to alternative sources of funds.

Compliance

Bangladesh Securities and Exchange Commission (BSEC) issued a Corporate Governance Guidelines (Notification dated August 7, 2012) for the companies listed with the Stock Exchanges. Compliance status of the guidelines is attached in Annexure-I, II and A respectively.

Bangladesh Bank also issued a guideline on February 4, 2010 as per BRPD Circular No.06 [replacing BRPD Circular No.16 dated July 24, 2003]. Compliance of the guideline is attached in Annexure-III.

AB Bank Limited Corporate Governance

Annexure-I

MEETINGS OF THE BOARD OF DIRECTORS OF AB BANK LIMITED.

Total Meeting held in 2012 : 29 (twenty nine)

| Director(s) | Status | No. of meeting attended | % of Attendance | Remarks/ Granted Leave of absence |
|--|-----------------------------------|-------------------------|-----------------|-----------------------------------|
| Mr. M. Wahidul Haque | Chairman | 29 | 100% | Nil |
| Mr. Salim Ahmed | Vice Chairman | 04 | 14% | 25 (twenty five) |
| Mr. Feroz Ahmed | Director | 16 | 55% | 13 (thirteen) |
| Mr. M.A. Awal | Director | 29 | 100% | Nil |
| Mr. Shishir Ranjan Bose, FCA | Director | 28 | 97% | 01 (one) |
| Mr. Faheemul Huq, Bar-at-Law | Director | 20 | 69% | 09 (nine) |
| Mr. Syed Afzal Hasan Uddin, Bar-at-Law | Director | 20 | 69% | 09 (nine) |
| Mr. Mishaal Kabir (Resigned on 24.12.2012) | Director | 26 | 90% | 02 (two) |
| Mr. Gholam Sarwar (appointed in the 513th Board Meeting held on December 24, 2012) | Director | Nil | 0% | 01(one) |
| Mr. Md. Mesbahul Hoque | Director | 26 | 90% | 03 (three) |
| Mr. Md. Anwar Jamil Siddiqui | Director | 28 | 97% | 01 (one) |
| Mr. B.B. Saha Roy | Director | 22 | 76% | 07 (seven) |
| Prof. Dr. M. Imtiaz Hossain | Depositor Director | 14 | 48% | 15 (fifteen) |
| Ms. Runa Zakia Shahrood Khan | Depositor Director | 11 | 38% | 18 (eighteen) |
| Mr. M. Fazlur Rahman (appointed as Acting President & M.D. from January 16, 2012 to April 9, 2012 and April 10, 2012 to till now, as President & M.D.) | President & Managing Director | 27 | 93% | Nil |
| Mr. Kaiser A. Chowdhury (Service contract expired on January 16, 2012) | Ex- President & Managing Director | 02 | 7% | Nil |

Executive Committee Meeting

Total Meeting held in 2012 : 01 (One)

| Director(s) | Status | No. of meeting attended | % of Attendance | Remarks/ Granted Leave of absence |
|--|----------|-------------------------|-----------------|-----------------------------------|
| Mr. Salim Ahmed, Vice-Chairman, ABBL | Chairman | 01(one) | 100% | Nil |
| Mr. M. Wahidul Haque, Chairman, ABBL | Member | 01(one) | 100% | Nil |
| Mr. Syed Afzal Hasan Uddin, Bar-at-Law | Member | Nil | 0% | 01(one) day |
| Mr. Md. Mesbahul Hoque | Member | 01(one) | 100% | Nil |
| Mr. M. Fazlur Rahman, (appointed as Acting President & M.D. from 16.01.2012 to 09.04.12 and 10.04.12 to till now, as President & M.D.) | Member | 01(one) | 100% | Nil |

Audit Committee Meeting

Total Meeting held in 2012 : 10 (Ten)

| Director(s) | Status | No. of meeting attended | % of Attendance | Remarks/ Granted Leave of absence |
|---|----------|-------------------------|-----------------|-----------------------------------|
| Mr. Shishir Ranjan Bose, FCA Director, ABBL | Chairman | 10 | 100% | Nil |
| Mr. M. Wahidul Haque, Chairman, ABBL | Member | 10 | 100% | Nil |
| Mr. Salim Ahmed, Vice-Chairman, ABBL | Member | 01 | 10% | 09 (nine) |
| Mr. M.A. Awal, Director, ABBL | Member | 10 | 100% | Nil |
| Mr. Syed Afzal Hasan Uddin, Director, ABBL | Member | 08 | 80% | 02 (two) |

Shareholding pattern of the Bank is disclosed as below following the requirements of Section 1.5 (xxi) of BSEC Notification No. – SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012.

a) Parent / Subsidiary / Associated Companies and other related parties: N/A

b) Shares held by Directors, Chief Executive Officer, Company Secretary, Chief Finance Officer, Head of Internal Audit and their Spouses and Minor Children are as follows: status as of 31st December, 2012

i) Shares held by Directors and their spouses

| Name of the Directors | Status | No. of Shares | % | Name of the Spouses | No. of Shares | % |
|---|----------------------------------|---------------|--------|-----------------------------|---------------|-------|
| Mr. M. Wahidul Haque | Chairman | 95,700 | 0.022 | Mrs. Lutfun Nesa | 21,696 | 0.005 |
| Mr. Salim Ahmed | Vice-Chairman | 10,448,076 | 2.362 | Mrs. Lutfunnessa Ahmed | 181,128 | 0.041 |
| Mr. Feroz Ahmed | Director | 9,177,840 | 2.075 | Mrs. Tahmina Salvana | 181,164 | 0.041 |
| Mr. M. A. Awal | Director | 2,772 | 0.0006 | Mrs. Hosne Ara Awal | Nil | - |
| Mr. Shishir Ranjan Bose, FCA | Independent Director | 1,968 | 0.0004 | Mrs. Buli Bose | Nil | - |
| Mr. Faheemul Huq, Bar-at-Law | Director | 379,524 | 0.0858 | Mrs. Rokeya Sultana | Nil | - |
| Mr. Syed Afzal Hasan Uddin, Bar-at-law | Director | 1,968 | 0.0004 | Mrs. Razia Akhter Choudhury | Nil | - |
| Mr. Gholam Sarwar | Director | 10608 | 0.0024 | Mrs. Rahat Sarwar | Nil | - |
| Mr. Md. Mesbahul Hoque | Director | 1,968 | 0.0004 | Mrs. Mahfuza Hoque | Nil | - |
| Mr. Md. Anwar Jamil Siddiqui | Director | 1,968 | 0.0004 | Mrs. Nargis Akhter Banu | Nil | - |
| Mr. B.B. Saha Roy | Director | 1,716 | 0.0004 | Mrs. Misty Saha Roy | Nil | - |
| Dr. M. Imtiaz Hossain | Depositor Director | Nil | - | Mrs. Shirin Jahan | Nil | - |
| Mrs. Runa Zakia Shahrood Khan | Depositor Director | Nil | - | Mr. Yues Marre | Nil | - |
| Mr. M. Fazlur Rahman | President & Managing Director | Nil | - | Mrs. Jesmin Arzu Rahman | Nil | - |

ii) Shares held by Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit.

| Name | Status | No. of Shares |
|------------------------------|---|---------------|
| Mr. M. Fazlur Rahman | President & Managing Director | Nil |
| Mr. Mahadev Sarker Sumon FCA | Company Secretary & Chief Financial Officer | Nil |
| Mr. Amzad Hossain | Head of Internal Audit | Nil |

c) Shares held by top five salaried employees other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit.

| Name | Status | No. of Shares |
|-----------------------------|--------------------------|---------------|
| Mr. Shamim A. Chaudhury | Deputy Managing Director | Nil |
| Mr. Ahsan Afzal | Deputy Managing Director | Nil |
| Mr. Badrul H. Khan | Deputy Managing Director | Nil |
| Mr. Moshir Rahman Chowdhury | Deputy Managing Director | Nil |
| Mr. Reazul Islam | Executive Vice President | Nil |

d) Shareholders holding ten percent or more voting interest in the company: N/A



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Web : www.acnabin-bd.com

Certificate on Compliance of Conditions of Corporate Governance to The Shareholders of AB Bank Limited

We, in respect of AB Bank Limited (the Bank), have examined the status of its compliance with conditions of Corporate Governance issued by Bangladesh Securities & Exchange Commission (BSEC) vide its notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012.

The compliance with the said conditions of Corporate Governance and reporting the status thereof is the responsibility of the management of the Bank. Our responsibility is to provide a certificate about whether the Bank is in compliance with the said conditions of Corporate Governance based on our examination. Our examination for the purpose of issuing this certificate was limited to the procedures including implementation thereof as adopted by the Bank for ensuring the compliance of the conditions of Corporate Governance and correct reporting of the status of the compliance on the attached statement on the basis of evidence gathered and representation received. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

To the best of our information and according to the explanations given to us we certify that AB Bank Limited has, except condition # 1.2 (i) as reported on the attached status of compliance statement (Annexure- A), complied with the conditions of Corporate Governance stipulated in the above mentioned BSEC's notification dated 07 August 2012.

Dhaka,
10 April 2013

M. Moniruzzaman, FCA
Partner
ACNABIN, Chartered Accountants
ICAB Enrollment # 787

Status of Compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/Admin/44 dated 7 August 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969 is presented below:

| Condition No. | Title | Compliance Status ("√" has been put in the appropriate column) | | Remarks (if any) |
|---------------|--|--|--------------|--|
| | | Complied | Not Complied | |
| 1 | Board of Directors (BoD) | | | |
| 1.1 | Board size (number of Board members - minimum 5 and Maximum 20) | √ | | |
| 1.2 | Independent Directors | | | |
| 1.2 (i) | At least one fifth (1/5) of the total number of Directors shall be Independent Directors | | √ | The Board of Directors consists of 14 (fourteen) members including 1 (one) independent director, two depositor directors and managing director. Bank will appoint rest of the independent directors as required in the next AGM. |
| 1.2 (ii) | Independent Director means a Director | √ | | |
| 1.2 (ii) (a) | who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company | √ | | |
| 1.2 (ii) (b) | who is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company | √ | | |
| 1.2 (ii) (c) | who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies | √ | | |
| 1.2 (ii) (d) | who is not a member, director or officer of any stock exchange | √ | | |

AB Bank Limited Corporate Governance

Annexure-A

| Condition No. | Title | Compliance Status ("√" has been put in the appropriate column) | | Remarks (if any) |
|---------------|---|--|--------------|------------------|
| | | Complied | Not Complied | |
| 1.2 (ii) (e) | who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market | √ | | |
| 1.2 (ii) (f) | who is not a partner or executive or was not a partner or an executive during the preceding 3 (three) years of the company's statutory audit firm | √ | | |
| 1.2 (ii) (g) | who shall not be an independent director in more than 3 (three) listed companies | √ | | |
| 1.2 (ii) (h) | who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI) | √ | | |
| 1.2 (ii) (i) | who has not been convicted for a criminal offence involving moral turpitude | √ | | |
| 1.2 (iii) | Independent Director(s) shall be appointed by BoD approved by the shareholders in the Annual General Meeting (AGM) | √ | | |
| 1.2 (iv) | The post of independent director(s) cannot remain vacant for more than 90 (ninety) days | √ | | |
| 1.2 (v) | The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded | √ | | |
| 1.2 (vi) | The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only | √ | | |
| 1.3 | Qualification of Independent Director (ID) | | | |
| 1.3(i) | Independent director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business | √ | | |
| 1.3(ii) | Independent Director should be a Business Leader/Corporate leader/Bureaucrat/University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management/professional experiences | √ | | |
| 1.3(iii) | In special cases the above qualifications may be relaxed subject to prior approval of Commission | | N/A | |
| 1.4 | The Chairman of the Board and the Chief Executive Officer (CEO) shall be different individuals. The Chairman shall be elected from among the directors. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the CEO | √ | | |

| Condition No. | Title | Compliance Status ("√" has been put in the appropriate column) | | Remarks (if any) |
|---------------|---|--|--------------|------------------|
| | | Complied | Not Complied | |
| 1.5 | The Director's Report shall include the following additional statements: | | | |
| 1.5 (i) | Industry outlook and possible future developments in the industry | √ | | |
| 1.5 (ii) | Segment-wise or product-wise performance | √ | | |
| 1.5 (iii) | Risks and concerns | √ | | |
| 1.5 (iv) | A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin | √ | | |
| 1.5 (v) | Discussion on continuity of any Extra-Ordinary gain or loss | N/A | | |
| 1.5 (vi) | Basis for related party transactions - a statement of all related party transactions should be disclosed in the annual report | √ | | |
| 1.5 (vii) | Utilization of proceeds from public issues, rights issues and/or through any other instrument | N/A | | |
| 1.5 (viii) | An explanation if the financial results deteriorate after the company goes for None Initial Public Offering (IPO) | N/A | | |
| 1.5 (ix) | If significant variance occurs between Quarterly Financial performance and Annual Financial Statements, the management shall explain about the variance | N/A | | |
| 1.5 (x) | Remuneration to directors including independent directors | √ | | |
| 1.5 (xi) | The financial statements present fairly its state of affairs, the result of its operations, cash flows and changes in equity | √ | | |
| 1.5 (xii) | Proper books of account have been maintained | √ | | |
| 1.5 (xiii) | Adaptation of appropriate accounting policies & estimates | √ | | |
| 1.5 (xiv) | IAS/BAS/IFRS/BFRS, as applicable in Bangladesh, have been followed and adequate disclosure for any departure | √ | | |
| 1.5 (xv) | The system of Internal control is sound in design and has been effectively implemented and monitored | √ | | |
| 1.5 (xvi) | Going Concern (ability to continue as going concern) | √ | | |
| 1.5 (xvii) | Highlight and explain significant deviations from the last year's operating results | √ | | |
| 1.5 (xviii) | Key operating and financial data of at least preceding 5(five) years shall be summarized | √ | | |
| 1.5 (xix) | Reason for non-declaration of Dividend | N/A | | |
| 1.5 (xx) | The number of Board meetings held during the year and attendance by each director | √ | | |

AB Bank Limited

Corporate Governance

Annexure-A

| Condition No. | Title | Compliance Status ("√" has been put in the appropriate column) | | Remarks (if any) |
|----------------|--|--|--------------|------------------|
| | | Complied | Not Complied | |
| 1.5 (xxi) | Pattern of shareholding and name wise details (disclosing aggregate number of shares): | | | |
| 1.5 (xxi) (a) | Parent/Subsidiary/Associated Companies and other related parties | √ | | |
| 1.5 (xxi) (b) | Directors, Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO), Head of Internal Audit (HIA) and their spouses and minor children | √ | | |
| 1.5 (xxi) (c) | Executives | √ | | |
| 1.5 (xxi) (d) | Shareholders holding ten percent (10%) or more voting interest in the company | √ | | |
| 1.5 (xxii) | In case of the appointment/re-appointment of a director, disclose: | | | |
| 1.5 (xxii) (a) | a brief resume of the director | √ | | |
| 1.5 (xxii) (b) | nature of his/her expertise in specific functional areas | √ | | |
| 1.5 (xxii) (c) | names of companies in which the person also held the directorship and the membership of committees of the board | √ | | |
| 2.0 | Chief Financial Officer, Head of Internal Audit & Company Secretary | | | |
| 2.1 | Appointment of CFO, HIA and CS and defining their respective roles, responsibilities & duties | √ | | |
| 2.2 | The CFO and the CS shall attend the meeting of the Board of Directors | √ | | |
| 3.0 | Audit Committee | | | |
| 3 (i) | The Audit Committee shall be the sub-committee of the BoD | √ | | |
| 3 (ii) | The Audit Committee shall assist the BoD in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business. | √ | | |
| 3 (iii) | The Audit Committee shall be responsible to the BoD. The duties of the Audit Committee shall be clearly set forth in writing | √ | | |
| 3.1 | Constitution of the Audit Committee | | | |
| 3.1 (i) | The Audit Committee shall be composed of at least 3 members | √ | | |
| 3.1 (ii) | The BoD shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) Independent Director | √ | | |
| 3.1 (iii) | All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience | √ | | |

| Condition No. | Title | Compliance Status ("√" has been put in the appropriate column) | | Remarks (if any) |
|---------------|--|--|--------------|------------------|
| | | Complied | Not Complied | |
| 3.1 (iv) | Expiration of the term of service of Audit Committee members making the number lower than 3 (three) and fill up the vacancy (ies) by the Board not later than 1 (one) month from the date of vacancy(ies) | N/A | | |
| 3.1 (v) | The Company Secretary shall act as the secretary of the Audit Committee | √ | | |
| 3.1 (vi) | The quorum of the Audit Committee meeting shall not constitute without at least 1(one) independent director | √ | | |
| 3.2 | Chairman of the Audit Committee | | | |
| 3.2 (i) | The BoD shall select the Chairman of the Audit Committee, who shall be an Independent Director | √ | | |
| 3.2 (ii) | Chairman of the audit committee shall remain present in the AGM | √ | | |
| 3.3 | Role of Audit Committee | | | |
| 3.3(i) | Oversee the financial reporting process | √ | | |
| 3.3(ii) | Monitor choice of accounting policies and principles | √ | | |
| 3.3(iii) | Monitor Internal Control Risk Management process | √ | | |
| 3.3(iv) | Oversee hiring and performance of external auditors | √ | | |
| 3.3(v) | Review the annual financial statements before submission to the board for approval | √ | | |
| 3.3(vi) | Review the quarterly and half yearly financial statements before submission to the board for approval | √ | | |
| 3.3(vii) | Review the adequacy of internal audit function | √ | | |
| 3.3(viii) | Review statement of significant related party transactions submitted by the management | √ | | |
| 3.3(ix) | Review Management Letters/Letter of Internal Control weakness issued by statutory auditors | √ | | |
| 3.3(x) | Disclosure to the Audit Committee about the uses/applications of IPO funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, shall prepare a statement of funds utilized for the purposes other than those stated in the prospectus | N/A | | |
| 3.4 | Reporting of the Audit Committee | | | |
| 3.4.1 | Reporting to the Board of Directors | | | |
| 3.4.1(i) | Reporting to BoD on the activities of the Audit Committee | √ | | |
| 3.4.1(ii)(a) | Reporting to BoD on conflicts of interests | √ | | |

AB Bank Limited Corporate Governance

Annexure-A

| Condition No. | Title | Compliance Status ("√" has been put in the appropriate column) | | Remarks (if any) |
|---------------|---|--|--------------|------------------|
| | | Complied | Not Complied | |
| 3.4.1(ii)(b) | Reporting to BoD on any fraud or irregularity or material defect in the internal control system | √ | | |
| 3.4.1(ii)(c) | Reporting to BoD on suspected infringement of laws | √ | | |
| 3.4.1(ii)(d) | Reporting to BoD on any other matter | √ | | |
| 3.4.2 | Reporting to BSEC (if any material impact on the financial condition & results of operation, unreasonably ignored by the management) | √ | | |
| 3.5 | Reporting to the Shareholders of Audit Committee activities, which shall be signed by the Chairman and disclosed in the Annual Report | √ | | |
| 4.00 | External / Statutory Auditors | | | |
| 4.0 (i) | Non-engagement in appraisal or valuation services or fairness opinions | √ | | |
| 4.0 (ii) | Non-engagement in designing and implementation of Financial Information System | √ | | |
| 4.0 (iii) | Non-engagement in Book Keeping or other services related to the accounting records or financial statements | √ | | |
| 4.0 (iv) | Non-engagement in Broker-dealer services | √ | | |
| 4.0 (v) | Non-engagement in actuarial services | √ | | |
| 4.0 (vi) | Non-engagement in internal audit services | √ | | |
| 4.0 (vii) | Non-engagement in any other services that the Audit Committee determines | √ | | |
| 4.0 (viii) | No partner or employees of the external audit firms shall possess any share of the company during the tenure of their assignment | √ | | |
| 5 | Subsidiary Company | | | |
| 5(i) | Provisions relating to the composition of the BoD of the holding company shall be made applicable to the composition of the BoD of the subsidiary company | √ | | |
| 5(ii) | At least 1(one) Independent Director on the BoD of the holding company shall be a director on the BoD of the subsidiary company. | √ | | |
| 5(iii) | The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company | √ | | |
| 5(iv) | The minutes of the respective Board Meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also | √ | | |
| 5(v) | The Audit committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company | √ | | |

| Condition No. | Title | Compliance Status ("√" has been put in the appropriate column) | | Remarks (if any) |
|---------------|--|--|--------------|------------------|
| | | Complied | Not Complied | |
| 6 | Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO) | | | |
| 6(i) | The CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief | √ | | |
| 6 (i)(a) | these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading | √ | | |
| 6 (i)(b) | these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws | √ | | |
| 6 (ii) | there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent illegal or violation of the company's code of conduct | √ | | |
| 7 | Reporting and Compliance of Corporate Governance | | | |
| 7 (i) | Obtaining certificate from a practicing Professional Accountant/Secretary regarding compliance of conditions of Corporate Governance Guidelines of the BSEC and include in the Annual Report | √ | | |
| 7 (ii) | Directors' statement in the directors' report whether the company has complied with these conditions | √ | | |

Status of Compliance of Bangladesh Bank's guidelines: BRPD Circular No 06 dated 04 February, 2010.

| Sl. No. | Particulars | Compliance Status |
|---------|--|-------------------|
| 1. | Responsibilities and authorities of the Board of Directors: | |
| | (a) Work-planning and strategic management: (i) The Board shall determine the objectives and goals and to this end shall chalk out strategies and work-plans on annual basis. It shall specially engage itself in the affairs of making strategies consistent with the determined objectives and goals and in the issues relating to structural change and reorganization for enhancement of institutional efficiency and other relevant policy matters. It shall analyze/monitor at quarterly rests the development of implementation of the work-plans. (ii) The Board shall have its analytical review incorporated in the Annual Report as regard the success/failure in achieving the business and other targets as set out in its annual work-plan and shall apprise the shareholders of its opinions/recommendations on future plans and strategies. It shall set the Key Performance Indicators (KPIs) for the CEO and other senior executives and have it evaluated at times. | Complied |
| | (b) Lending and risk management: (i) The policies, strategies, procedures etc. in respect of appraisal of Loan/Investment proposal, sanction, disbursement, recovery, reschedulement and write-off thereof shall be made with the Board's approval under the purview of the existing laws, rules and regulations. The Board shall specifically distribute the power of sanction of loan/investment and such distribution should desirably be made among the CEO and his subordinate executives as much as possible. No Director, however, shall interfere/ influence, directly or indirectly, on the role of an Officer/Executive involved in the matter of approval of a loan approval (ii) The Board shall frame policies for risk management and get them complied with and shall monitor at quarterly rests the compliance thereof and will incorporate it in the minutes of the Board. | Complied |
| | (c) Internal control management: The Board shall be vigilant on the internal control system of the Bank in order to attain and maintain satisfactory qualitative standard of its loan/investment portfolio. It shall review at quarterly rests the reports submitted by its Audit Committee regarding compliance of recommendations made in internal and external audit reports and the Bangladesh Bank inspection reports. | Complied |
| | (d) Human resources management and development: (i) Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, human resources development etc. and service rules shall be framed and approved by the Board. The Chairman or the Directors shall in no way involve themselves over any administrative affairs including recruitment, promotion, transfer and disciplinary measures as executed under the set service rules. No member of the Board of Directors shall be included in the selection committees for recruitment and promotion to different levels. Recruitment and promotion to the immediate two tiers below the CEO, by whatever it is called, shall, however, rest upon the Board. Such recruitment and promotion shall have to be carried out complying with the service rules i.e., policies for recruitment and promotion. (ii) The Board shall focus its special attention to the development of skills of Bank's staff in different fields of its business activities including prudent appraisal of loan/investment proposals, and to the adoption of modern electronic and information technologies and the introduction of effective Management Information System (MIS). The Board shall get these programmes incorporated in its annual work plan. | Complied |
| | (e) Financial management: (i) The annual budget and the statutory financial statements shall be prepared with the approval of the Board. It shall at quarterly rests review/monitor the positions in respect of Bank's income, expenditure, liquidity, non-performing asset, capital base and adequacy, maintenance of loan loss provision and steps taken for recovery of defaulted loans including legal measures. (ii) The Board shall frame the policies and procedures for Bank's purchase and procurement activities and shall accordingly approve the distribution of power for making such expenditures. The maximum possible delegation of such power shall rest on the Chief Executive and his subordinate executives. The decision on matters relating to infrastructure development and purchase of land, building, vehicles etc. for the purpose of Bank's business shall, however, be adopted with the approval of the Board. | Complied |
| | (f) Formation of supporting committees: For decision on urgent matters an Executive Committee, whatever name called, may be formed with the Directors. There shall be no committee or sub-committee of the Board other than the Executive Committee and the Audit Committee. No Alternate Director shall be included in these committees. | Complied |

| Sl. No. | Particulars | Compliance Status |
|---------|--|----------------------------------|
| | (g) Appointment of CEO: The Board shall appoint a competent CEO for the Bank with the approval of the Bangladesh Bank. | Complied |
| | (h) Any responsibilities assigned to the Board of Directors by Bangladesh Bank will be followed and complied accordingly and will be ensured by the Board. | Complied |
| 2. | Responsibilities of the Chairman of the Board of Directors: | |
| | (a) As the Chairman of the Board of Directors (or Chairman of any Committee formed by the Board or any Director) does not personally possess the jurisdiction to apply policy making or executive authority, he shall not participate in or interfere into the administrative or operational and routine affairs of the Bank. (b) The Chairman may conduct on-site inspection of any bank-branch or financing activities under the purview of the oversight responsibilities of the Board. He may call for any information relating to Bank's operation or ask for investigation into any such affairs; he may submit such information or investigation report to the meeting of the Board or the Executive Committee and if deemed necessary, with the approval of the Board, he shall effect necessary action thereon in accordance with the set rules through the CEO. However, any complaint against the CEO shall have to be apprised to Bangladesh Bank through the Board along with the statement of the CEO. (c) The Chairman may be offered an office-room, a personal secretary/assistant, one peon / MLSS, a telephone at the office and for use within the country one Mobile phone and a vehicle in the business-interest of the Bank subject to the approval of the Board. | Complied |
| 3. | Responsibilities of the Advisor: | |
| | The Bank's Advisor, if any, whatever name called, shall advise the Board of Directors or the CEO on such issues only for which he is engaged in terms of the conditions of his appointment. He shall neither have access to the process of decision-making nor shall have the scope of effecting executive authority in any matters of the Bank including financial, administrative or operational affairs. | N/A (No advisor is appointed) |
| 4. | Responsibilities and authorities of the CEO: | |
| | The CEO of the Bank, by whatever name called, shall discharge the responsibilities and effect the authorities as follows: (a) In terms of the financial, business and administrative authorities vested upon him by the Board, the CEO shall discharge his own responsibilities. He shall remain accountable for achievement of financial and other business targets by means of business plan, efficient implementation thereof and prudent administrative and financial management. (b) The CEO shall ensure compliance of the Bank Companies Act, 1991 and/or other relevant laws and regulations in discharge of routine functions of the Bank. (c) The CEO while presenting any Memo before the Board or any Board's Committee will include the specific information relating to any violation / deviation of other law/regulations including the Bank Company Act, 1991. (d) The CEO will furnish the information to Bangladesh Bank relating to any violation of the Bank Companies Act, 1991 or any other laws/regulations. (e) The recruitment and promotion of all staff of the Bank except those in the two tiers below him shall rest on the CEO. He shall act in such cases in accordance with the approved service rules on the basis of the human resources policy and sanctioned strength of employees as approved by the Board. The board or the chairman of any committee of the Board or any Director shall not get involved or interfere into such affairs. The authority relating to transfer of and disciplinary measures against the staff, except those at one tier below the CEO, shall rest on him, which he shall apply in accordance with the approved service rules. Besides, under the purview of the human resources policy as approved by the Board, he shall nominate officers for training etc. | Complied |
| 5. | Holding of Meeting of Board of Directors etc. : | |
| | The meeting of the Board of Directors will be generally held once in a month or if necessary, can be held more than once. But the meeting of the Board of Directors must not be held less than once within three months. | Complied |
| 6. | Number of Members of Board's Executive Committee : | |
| | The Members of the Board's Executive Committee will not be more than one-third of the members of the Board of Directors. However, any Bank having more than one-third members of the Board of Directors in their Board's Executive Committee, it would be brought down to one third members of the Board of Directors within one month of promulgation of this circular. | Complied |
| 7. | Training of Directors : | |
| | To play an effective role and performing the responsibilities of a Director, the concerned Director will acquire / gather knowledge on Banking Law, Other Associate Law, Rules / Regulations and regarding the responsibilities of a Director. | Complied |

AB Bank Limited Directors' Statement of Responsibilities

Bismillahir Rahmanir Rahim

Dear Fellow Shareholders,

The Directors are required to present the Annual Report together with Directors' Report and the Financial Statements in accordance with the Companies Act, 1994, Rules and Regulations of Institute of Chartered Accountants of Bangladesh (ICAB), Rules and Regulations of Bangladesh Bank (BB), Bangladesh Securities and Exchange Commission (BSEC) Rules, 1987 and the Listing Rules of the Dhaka Stock Exchange Ltd (DSE) and Chittagong Stock Exchange Ltd (CSE) respectively.

The financial statements are required by law and International Accounting Standards as adopted by ICAB to present fairly the financial position of the Company and the performance for the period.

Proper accounting records should be kept that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with Companies Act, 1994 and Bank Company Act, 1991.

The Directors of AB Bank Limited, confirm that the Annual Report for the year 2012 together with the Directors' Report and the Financial Statements have been prepared in compliance with law, rules and regulatory guidelines as per the Companies Act, 1994, Bank Company Act, 1991, guidelines issued by Bangladesh Bank and also in compliance of BSEC Notification No. SEC/CMRRCD/2006-158/Admin/44 dated 7 August 2012, respectively.

Meetings

Board of Directors of AB meet regularly to consider Bank's policies, procedures, risk management and business plan among others. During the year 2012, 29 (twenty nine) meetings of the Board of Directors took place.

This report should be read in conjunction with Auditors' Report to the Shareholders of AB Bank Limited.

Other compliance BSEC Notification No. SEC/CMRRCD/2006-158/Admin/44 dated 7 August 2012 are given separately.

Some of the information in this Annual Report may contain projections or other forward-looking statements regarding the Bank. These statements are based on our expectations and assumptions. Statements of such nature are not be construed as guarantees of future performance. Therefore, actual future results and trends may differ materially from what is in our forward-looking statements.

On behalf of the Board



M. Wahidul Haque
Chairman

AB Bank Limited

Report of the Audit Committee 2012

The Audit Committee of AB Bank Limited operates within the guidelines of Bangladesh Bank and also carries oversight responsibilities. The Board of Directors set out the overall Business Plan & formulates policies that the Management is responsible for implementation. The Audit Committee, on behalf of the Board, strives to ensure effective implementation of the processes and procedures set out in the Business Plans and Policies. Audit Committee also reviews the internal control regime and compliance status of the Bank as a whole.

Functions of The Audit Committee

Main function of the Audit Committee is to facilitate the Board in its oversight responsibilities. In order to fulfill the responsibilities, among others, main responsibilities of the Audit Committee are as follows:

- Review of compliance status of the Bank in terms of legal, regulatory and Board's requirement;
- Review of existing Risk Management procedures for ensuring effective Control.
- Review of efficiency and effectiveness of Internal Audit Department.
- Monitoring of rectification of the irregularities detected.
- Review of Annual Financial statements in line with the Accounting Standards set by Regulatory Authorities.
- Review of the findings and recommendations of the External Auditors, and
- Review of the findings and recommendations of the Bangladesh Bank Audit.

Composition of The Audit Committee

Current Audit Committee is comprised of-

- 1) Mr. Shishir Ranjan Bose, FCA, Director, AB Bank
- Chairman
- 2) Mr. M. Wahidul Haque, Chairman, AB Bank
- Member
- 3) Mr. Salim Ahmed, Vice Chairman, AB Bank
- Member
- 4) Mr. M. A. Awal, Director, AB Bank
- Member
- 5) Mr. Syed Afzal Hasan Uddin, Director, AB Bank
- Member

As per BSEC Guidelines, an independent Director of the Board is the Chairman of the Audit Committee. As per regulatory guidelines, the Company Secretary of the Bank acts as the Secretary to the Audit Committee. Senior officials of the Bank attend the meetings on invitation.

Meetings of The Audit Committee

The Audit Committee had held 10 (ten) meetings during the year 2012.



During the year under review, the Committee, inter alia, focused on following activities (not an exhaustive test):

- Reviewed Internal Audit Plan for the year 2012.
- Reviewed Draft Financial Statements and after discussing with the External Auditors recommended it to the Board for their considerations.
- Reviewed the Management Letter issued by the External Auditors, Management responses thereto and corrective measures taken by the Bank to avoid recurrence of the lapses mentioned therein.
- Reviewed Half Yearly Financial Report of the Bank and recommended its submission to the shareholders as a statutory requirement.
- Reviewed significant Internal Audit findings and advised corrective actions.
- Reviewed comprehensive inspection report of Bangladesh Bank including status of compliance thereof.
- Reviewed inspection reports Branches and Head Office functions conducted by the Internal Control & Compliance Division (ICCD).

Approval of Financial Statements

The Audit Committee reviewed and examined the Annual Financial Statements, for the year 2012 prepared by the Management and audited by the External Auditors M/S S.F. Ahmed & Co. and recommended these to the Board for consideration.

Acknowledgement

The Audit Committee expresses its sincere thanks to the Members of the Board and the Management of AB for their excellent support in carrying out the duties and responsibilities of the committee during the period under review.



Shishir Ranjan Bose, FCA
Chairman, Audit Committee

AB Bank Limited Report of the Executive Committee

Executive Committee of the Board has been formed following the guidelines of Bangladesh Bank and comprises of 5 (five) members nominated by the Board. Vice-Chairman of the Board is the Chairman of the Executive Committee.

Bank's Executive Committee is assigned with responsibilities of reviewing specific areas of business which includes inter alia review of delinquent asset Management, Legal Cases, functional performance review, new Branch performance review.



Executive Committee also ensures proper and timely implementation of Policies and guidelines issued by the Board through Management.

Executive Committee comprises of the following:

| | |
|--|------------|
| Mr. Salim Ahmed, Vice Chairman, ABBL | - Chairman |
| Mr. M. Wahidul Haque, Chairman, ABBL | - Member |
| Mr. Syed Afzal Hasan Uddin, Director, ABBL | - Member |
| Mr. Md. Mesbahul Hoque, Director, ABBL | - Member |
| Mr. M. Fazlur Rahman, President & Managing Director | - Member |
| - Company Secretary acts as the Secretary of the Committee | |

Executive Committee expresses its sincere thanks to the Members of the Board and the Management of AB for their excellent support while carrying out the duties and responsibilities of the Committee.

SALIM AHMED

Chairman, Executive Committee

AB Bank Limited

Report of AB Bank Shariah Supervisory Committee 2012

In the name of Allah, The Beneficent, The Merciful

During the Year 2012, AB Bank Shariah Supervisory Committee met in 3 (three) meetings along with 1 (one) meeting of its Standing Committee and reviewed different operational issues, including those referred to it by the Management of the Bank and gave opinions & decisions related to Islamic Shariah.

The duty of the Shariah Supervisory Committee is to give independent opinions and necessary guidelines by observing and reviewing the activities of Islamic Banking operation of the Bank and to make the clients aware of Shariah compliance. On the other hand, the responsibility of the Bank is to ensure that the Bank conducts its business under Islamic Banking operations in accordance with rules and principles of Shariah.



During the year 2012, the AB Bank Shariah Supervisory Committee discussed and gave guidance/opinion on different issues among which important ones are as under:

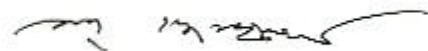
1. Reviewing the Annual Shariah Audit Report 2011 of Islami Banking Branch and its observations.
2. Reviewing the Half yearly Shariah Audit Report 2012 of Islami Banking Branch and its observations.
3. Approving the Final Account, 2011 of Islami Banking Branch.
4. Approving the Annual Report of Shariah Supervisory Committee for the year 2011.
5. Reviewing the rules and procedures of Mudaraba Cash Waqf .
6. Standardize the Sanction Advice for Investment.

The Supervisory Committee, after reviewing the Shariah Inspection Reports, Balance Sheet (as at the end of 31 December, 2012) and Profit & Loss Account of Islamic Banking of the Bank for the Year 2012, gave the following opinion:

1. In Bai Murabaha / Muajjal mode, buying & selling are being done by ensuring physical &/or constructive possession on the goods.
2. The agreements for investment and transactions entered into by Islamic Banking Branch during the period concerned have been made in accordance with the Principles of Shariah.
3. The officials of Islamic Banking Division are trying to comply with the Shariah direction.
4. Profit distributed to Mudaraba Depositors has been made as per weightage system.
5. Compensation amounts have been kept separate and not included in Bank's income.

To the best of our knowledge no gross violation & lapses in the Islamic banking operations of the Bank have so far been detected.

May Allah grant success to our sincere efforts and bless us with His Rahmah & Barakah and guide us all to His right path.



Shah Abdul Hannan
Chairman
AB Bank Shariah Supervisory Committee

Investor Relations



Forward Looking Statements

Annual Report for the year 2012 contains statements which are based on assumptions, estimates, believes and future expectations. Such forward looking statements may include but not limited to future plan, performance, growth of business, profitability and cash flow of the Bank which are subject to known and unknown risks. Actual performance or results may materially differ from original plan, assumptions, estimates or expectations expressed or implied in forward looking statements. Therefore, undue reliance should not be placed on such statements for making any decisions, transactions or investments with the Bank.

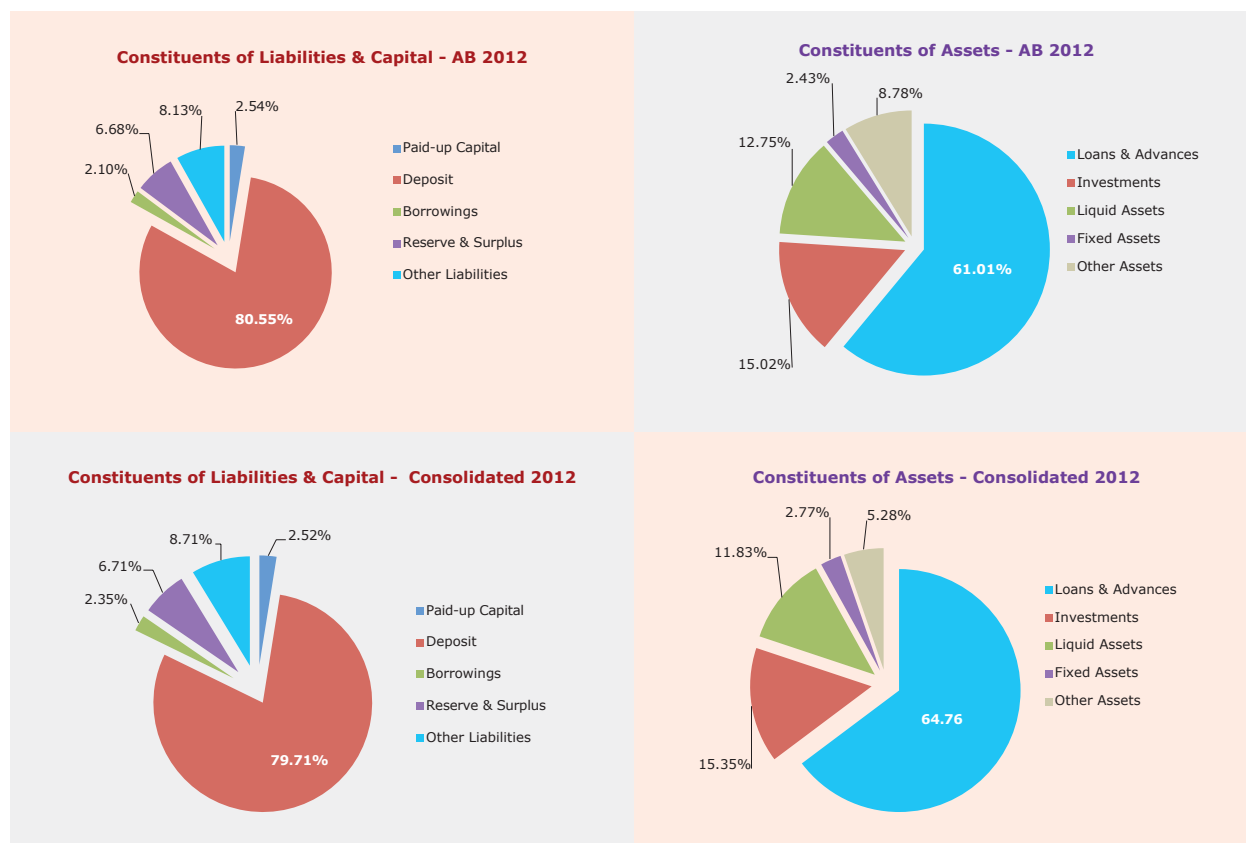
Bank does not guarantee in any way that the expressions made or implied in forward looking statements would be materialized. Bank does not also take any responsibility to update, modify or revise any forward looking statements contained in this Annual Report irrespective of whether those are changed by any new events, information or future development or by any other factors.

AB Bank Limited

Financial Highlights-AB Bank & Consolidated

| | AB Bank Limited | | | Consolidated | | |
|------------------------------------|-----------------|---------|----------|--------------|---------|----------|
| | 2012 | 2011 | % Growth | 2012 | 2011 | % Growth |
| Million Taka | | | | | | |
| At the end year | | | | | | |
| Equity | 16,034 | 14,853 | 8% | 16,223 | 15,012 | 8% |
| Total Deposits | 140,026 | 116,152 | 21% | 139,908 | 115,825 | 21% |
| Loans & advances | 106,066 | 94,638 | 12% | 113,663 | 102,470 | 11% |
| Investments | 26,115 | 21,556 | 21% | 26,950 | 22,484 | 20% |
| Fixed assets | 4,230 | 4,052 | 4% | 4,869 | 4,766 | 2% |
| Total assets | 173,842 | 152,963 | 14% | 175,517 | 154,405 | 14% |
| Performance during the year | | | | | | |
| Interest Income | 15,714 | 12,831 | 22% | 16,498 | 13,795 | 20% |
| Operating Profit | 4,363 | 4,312 | 1% | 4,719 | 4,944 | -5% |
| Provision for loans and others | 1,173 | 1,355 | -13% | 1,223 | 1,472 | -17% |
| Profit before tax | 3,190 | 2,957 | 8% | 3,496 | 3,473 | 1% |
| Provision for tax | 1,752 | 1,629 | 8% | 2,034 | 2,082 | -2% |
| Profit after tax | 1,439 | 1,328 | 8% | 1,462 | 1,390 | 5% |
| Statutory Ratios | | | | | | |
| Liquid Assets | 22.93% | 21.24% | | 22.93% | 21.24% | |
| Capital adequacy ratio | 11.73% | 11.37% | | 11.63% | 10.80% | |
| Share information | | | | | | |
| Earnings per share (Taka) | 3.25 | 3.00 | 8% | 3.32 | 3.15 | 5% |
| Dividend - % | *12.5 | 25 | | *12.5 | 25 | |
| Net Asset Value per share (Taka) | 36 | 40 | -10% | 37 | 41 | -10% |
| Ratios | | | | | | |
| Classified Loan | 3.32% | 2.82% | | 3.10% | 2.82% | |
| Return on Assets (ROA) | 0.88% | 0.93% | | 0.89% | 0.97% | |
| Return on Equity (ROE) | 9.31% | 9.25% | | 9.36% | 9.54% | |

*Proposed



AB Bank Limited Our Performance

| | Million Taka | | | | |
|--|--------------|-------------|-------------|-------------|-------------|
| Financial position | 2012 | 2011 | 2010 | 2009 | 2008 |
| Cash & bank balances | 18,499 | 17,524 | 12,914 | 8,849 | 6,396 |
| Investments | 26,115 | 21,556 | 14,563 | 16,369 | 11,396 |
| Money at call and short notice | 3,672 | 666 | 380 | 600 | 1,191 |
| Loans & advances | 106,066 | 94,638 | 88,002 | 70,880 | 56,709 |
| Fixed assets | 4,230 | 4,052 | 3,926 | 2,441 | 2,445 |
| Other assets | 15,261 | 14,527 | 12,906 | 7,773 | 5,918 |
| Total assets | 173,842 | 152,963 | 132,691 | 106,912 | 84,054 |
| Borrowings | 3,649 | 10,248 | 14,200 | 6,125 | 3,193 |
| Total deposits | 140,026 | 116,152 | 95,702 | 83,087 | 68,560 |
| Other liabilities | 14,133 | 11,710 | 8,922 | 7,542 | 5,577 |
| Equity | 16,034 | 14,853 | 13,867 | 10,158 | 6,723 |
| Total liability & SH's equity | 173,842 | 152,963 | 132,691 | 106,912 | 84,054 |
| Total contingent liabilities & commitments | 59,590 | 52,595 | 44,485 | 28,996 | 26,074 |
| Loan Deposit Ratio | 75.75% | 81.48% | 91.95% | 85.31% | 82.71% |
| Interest earning assets | 144,167 | 125,049 | 110,453 | 86,768 | 68,580 |
| Non-Interest earning assets | 29,676 | 27,914 | 22,535 | 20,144 | 15,473 |
| Profitability | | | | | |
| Net interest margin | 3,123 | 2,394 | 3,481 | 2,908 | 2,034 |
| Operating income | 8,435 | 7,743 | 10,898 | 8,269 | 6,153 |
| Operating expenses | 4,072 | 3,431 | 3,489 | 2,466 | 1,854 |
| Operating profit | 4,363 | 4,312 | 7,409 | 5,802 | 4,298 |
| Provision for loans and others | 1,173 | 1,355 | 1,052 | 598 | 698 |
| Profit before tax | 3,190 | 2,957 | 6,357 | 5,205 | 3,601 |
| Provision for tax | 1,752 | 1,629 | 2,661 | 1,842 | 1,300 |
| Profit after tax | 1,439 | 1,328 | 3,696 | 3,363 | 2,301 |
| Cost income ratio | 48.27% | 44.31% | 32.01% | 29.83% | 30.14% |
| Return on investment (ROI) | 11.39% | 14.62% | 32.72% | 21.06% | 23.89% |
| Return on assets (ROA) | 0.88% | 0.93% | 3.08% | 3.52% | 3.12% |
| Return on equity (ROE) | 9.31% | 9.25% | 30.77% | 39.84% | 40.96% |
| Cost of fund | 12.07% | 11.19% | 9.89% | 10.31% | 11.09% |
| Earnings Per Share | 3.25 | 3.00 | 8.36 | 7.60 | 5.20 |
| Net income per share | 3.25 | 3.00 | 8.36 | 7.60 | 5.20 |
| Other business | | | | | |
| Import | 100,373 | 79,463 | 90,751 | 65,956 | 70,041 |
| Export | 65,782 | 57,592 | 41,686 | 30,640 | 28,937 |
| Remittance (Million USD) | 217 | 250 | 210 | 182 | 164 |
| Equity measures | | | | | |
| Authorized capital | 6,000 | 6,000 | 6,000 | 6,000 | 3,000 |
| Paid-up capital | 4,423 | 3,686 | 3,205 | 2,564 | 2,230 |
| Capital - Core (Tier I) | 14,630 | 13,410 | 12,411 | 9,250 | 6,128 |
| Capital - Supplementary (Tier II) | 2,552 | 2,534 | 2,249 | 1,668 | 1,312 |
| Total capital | 17,181 | 15,943 | 14,660 | 10,918 | 7,440 |
| Capital surplus/ (deficit) | 2,532 | 1,920 | 1,345 | 1,072 | 1,644 |
| Statutory reserve | 5,005 | 4,390 | 4,396 | 3,101 | 2,066 |
| Retained earnings | 5,159 | 5,291 | 4,768 | 3,542 | 1,790 |
| Capital adequacy ratio | 11.73% | 11.37% | 9.91% | 11.09% | 12.84% |
| Asset quality | | | | | |
| Total loans & advances | 106,066 | 94,638 | 88,002 | 70,880 | 56,709 |
| Classified loans (CL) | 3,522 | 2,672 | 1,852 | 1,949 | 1,695 |
| % CL to total loans & advances | 3.32% | 2.82% | 2.11% | 2.75% | 2.99% |
| Provision for unclassified loan | 1,270 | 1,317 | 1,041 | 826 | 691 |
| Provision for classified loan | 1,099 | 1,031 | 921 | 427 | 658 |
| Share information | | | | | |
| Market Price per share (DSE) | 34 | 68 | 158 | 118 | 82 |
| Dividend - % | *12.50 | 25 | 25 | 45 | 30 |
| Bonus - % | 12.50 | 20 | 15 | 25 | 15 |
| Cash - % | - | 5 | 10 | 20 | 15 |
| Price earning ratio (times) | 10.36 | 22.75 | 18.91 | 15.48 | 15.81 |
| Net Asset Value per share (Taka) | 36 | 40 | 43 | 40 | 30 |
| Distribution network | | | | | |
| Number of branches | 87 | 86 | 82 | 78 | 73 |
| Number of SME service center | 11 | 11 | 11 | 10 | - |
| Employee number | 2,070 | 2,096 | 2,008 | 1,952 | 1,804 |

*Proposed

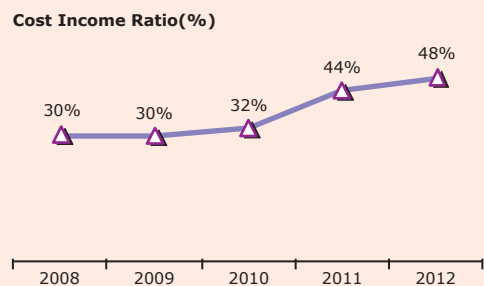
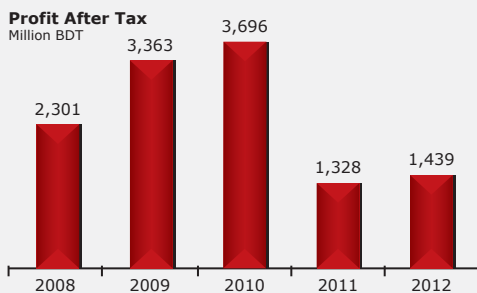
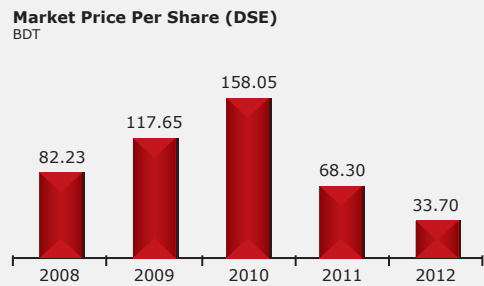
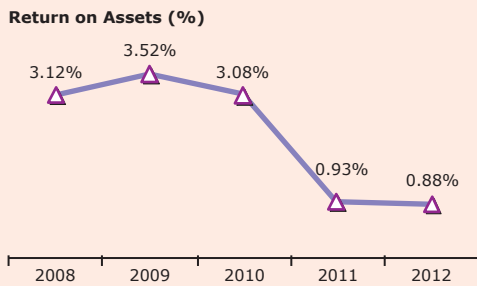
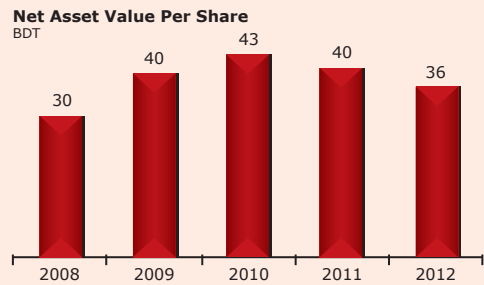
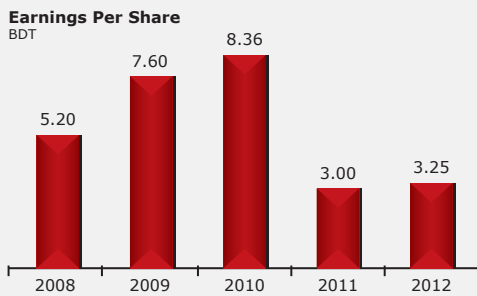
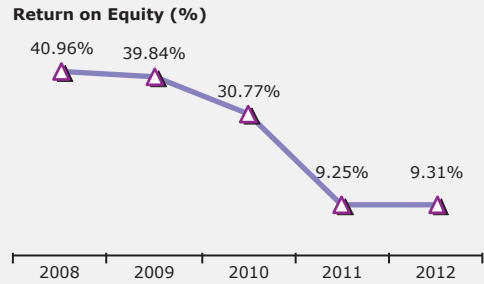
AB Bank Limited

Our Performance

| | Million Taka | | | | |
|--|--------------|--------|--------|--------|--------|
| | 2007 | 2006 | 2005 | 2004 | 2003 |
| Financial position | | | | | |
| Cash & bank balances | 6,160 | 4,520 | 2,476 | 3,891 | 4,225 |
| Investments | 8,885 | 6,281 | 4,061 | 6,738 | 3,336 |
| Money at call and short notice | 574 | 517 | 390 | 446 | 795 |
| Loans & advances | 40,915 | 31,289 | 21,385 | 17,008 | 20,435 |
| Fixed assets | 2,381 | 1,148 | 370 | 277 | 285 |
| Other assets | 4,635 | 4,233 | 4,384 | 4,148 | 3,893 |
| Total assets | 63,550 | 47,990 | 33,065 | 32,513 | 32,969 |
| Borrowings | 1,872 | 1,297 | 1,911 | 757 | 681 |
| Total deposits | 53,375 | 42,077 | 27,361 | 28,299 | 27,260 |
| Other liabilities | 3,791 | 2,032 | 2,267 | 2,209 | 3,892 |
| Equity | 4,512 | 2,583 | 1,527 | 1,244 | 1,135 |
| Total liability & SH's equity | 63,550 | 47,990 | 33,065 | 32,513 | 32,969 |
| Total contingent liabilities & commitments | 27,288 | 21,112 | 14,663 | 13,268 | 10,293 |
| Loan Deposit Ratio | 76.66% | 74.36% | 78.16% | 60.10% | 74.96% |
| Interest earning assets | 49,208 | 36,648 | 24,007 | 22,261 | 21,442 |
| Non-Interest earning assets | 14,342 | 11,341 | 9,059 | 10,248 | 11,527 |
| Profitability | | | | | |
| Net interest margin | 1,439 | 616 | 691 | 511 | 507 |
| Operating income | 4,657 | 2,650 | 1,577 | 1,460 | 1,293 |
| Operating expenses | 1,331 | 1,939 | 822 | 1,100 | 1,130 |
| Operating profit | 3,325 | 710 | 755 | 360 | 163 |
| Provision for loans and others | 507 | 179 | 348 | 170 | 116 |
| Profit before tax | 2,818 | 532 | 407 | 190 | 47 |
| Provision for tax | 915 | - | 245 | 100 | 30 |
| Profit after tax | 1,903 | 532 | 162 | 90 | 17 |
| Cost income ratio | 28.59% | 73.19% | 52.14% | 75.35% | 87.37% |
| Return on investment (ROI) | 22.87% | 18.81% | 5.88% | 6.66% | 6.86% |
| Return on assets (ROA) | 3.41% | 1.11% | 0.50% | 0.39% | 0.07% |
| Return on equity (ROE) | 42.19% | 20.61% | 11.73% | 7.24% | 1.53% |
| Cost of fund | 10.54% | 10.04% | 8.60% | 8.53% | 9.28% |
| Earnings Per Share | 4.30 | 1.20 | 0.37 | 0.20 | 0.04 |
| Net income per share | 5.16 | 1.20 | 0.37 | 0.20 | 0.04 |
| Other business | | | | | |
| Import | 48,441 | 42,860 | 23,151 | 19,266 | 19,281 |
| Export | 20,677 | 17,876 | 12,595 | 10,100 | 9,743 |
| Remittance (Million USD) | 156 | 130 | 115 | 83 | 74 |
| Equity measures | | | | | |
| Authorized capital | 2,000 | 2,000 | 800 | 800 | 800 |
| Paid-up capital | 743 | 572 | 520 | 495 | 472 |
| Capital - Core (Tier I) | 3,838 | 1,941 | 1,400 | 1,218 | 1,113 |
| Capital - Supplementary (Tier II) | 947 | 723 | 327 | 252 | 237 |
| Total capital | 4,785 | 2,664 | 1,727 | 1,470 | 1,350 |
| Capital surplus/ (deficit) | 331 | 67 | 33 | 15 | 26 |
| Statutory reserve | 1,357 | 773 | 650 | 556 | 503 |
| Retained earnings | 1,696 | 554 | 181 | 125 | 73 |
| Capital adequacy ratio | 10.75% | 9.23% | 9.17% | 9.09% | 9.17% |
| Asset quality | | | | | |
| Total loans & advances | 40,915 | 31,290 | 21,385 | 17,008 | 20,435 |
| Classified loans (CL) | 1,763 | 206 | 1,756 | 1,934 | 3,935 |
| % CL to total loans & advances | 4.31% | 4.02% | 8.21% | 11.37% | 19.25% |
| Provision for unclassified loan | 487 | 229 | 216 | 186 | 171 |
| Provision for classified loan | 660 | 416 | 375 | 354 | 744 |
| Share information | | | | | |
| Market Price per share (DSE) | 85 | 89 | 36 | 38 | 20 |
| Dividend - % | 200 | 30 | 10 | 5 | 5 |
| Bonus - % | 200 | 30 | 10 | 5 | 5 |
| Cash - % | - | - | - | - | - |
| Price earning ratio (times) | 19.84 | 74.50 | 99.11 | 187.29 | 508.99 |
| Net Asset Value per share (Taka) | 61 | 45 | 29 | 25 | 24 |
| Distribution network | | | | | |
| Number of branches | 72 | 69 | 68 | 71 | 70 |
| Number of SME service center | - | - | - | - | - |
| Employee number | 1,725 | 1,590 | 1,525 | 1,726 | 1,602 |

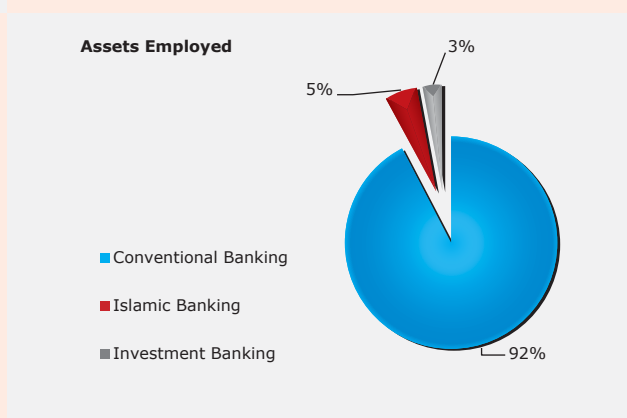
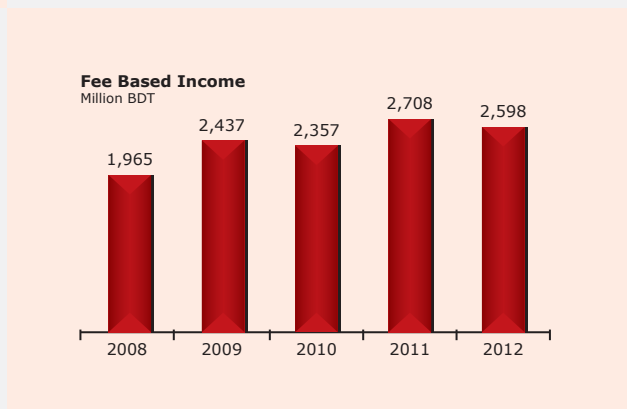
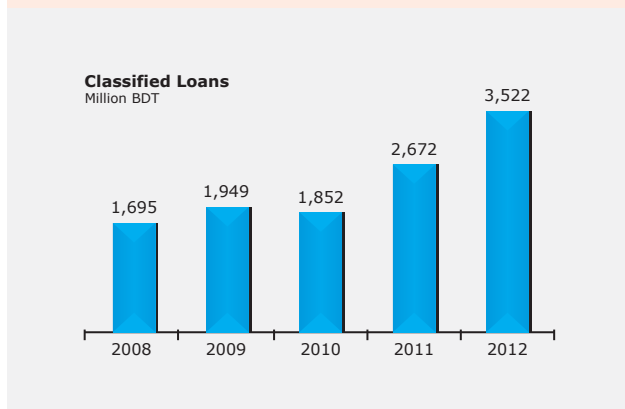
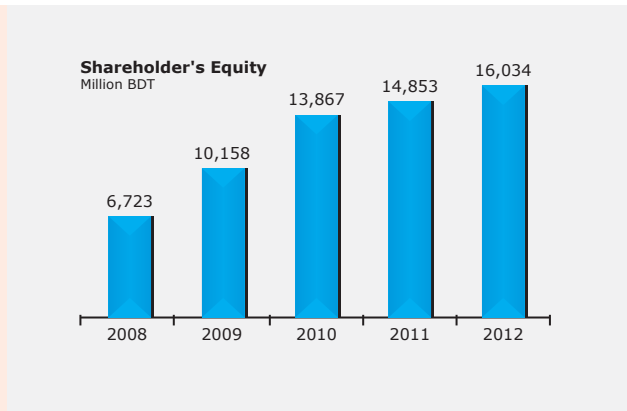
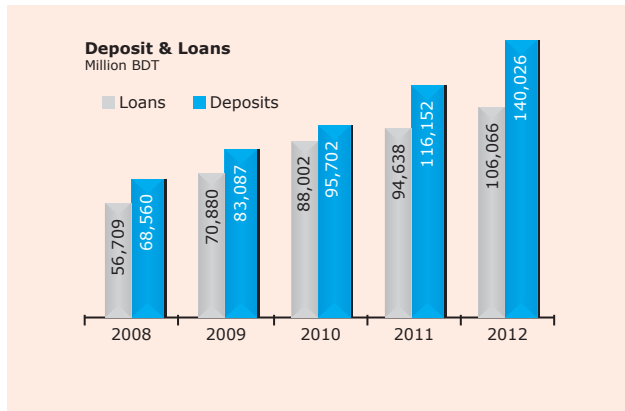
AB Bank Limited

Graphical Presentation



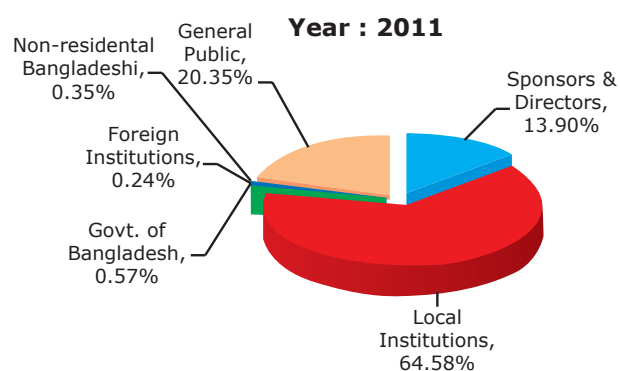
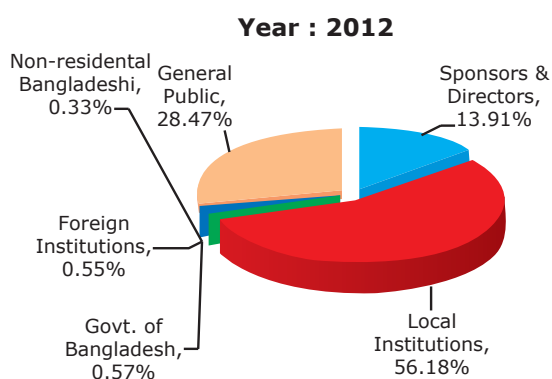
AB Bank Limited

Graphical Presentation



AB Bank Limited Shareholders Pattern 2012

| Particulars | Number of Shares | | % of Shares | |
|-----------------------------|--------------------|--------------------|----------------|----------------|
| | 2012 | 2011 | 2012 | 2011 |
| Sponsors & Directors | 61,508,124 | 51,251,540 | 13.91% | 13.90% |
| Local Institutions | 248,483,927 | 238,066,106 | 56.18% | 64.58% |
| Govt. of Bangladesh | 2,535,504 | 2,112,920 | 0.57% | 0.57% |
| Foreign Institutions | 2,450,338 | 871,970 | 0.55% | 0.24% |
| Non-residential Bangladeshi | 1,437,623 | 1,293,760 | 0.33% | 0.35% |
| General Public | 125,918,152 | 75,015,094 | 28.47% | 20.35% |
| Total- | 442,333,668 | 368,611,390 | 100.00% | 100.00% |



| Shares held by Directors | | *2012 | *2011 |
|--|-------------------------------|-------------------|-------------------|
| Mr. M. Wahidul Haque | Chairman | 95,700 | 79,750 |
| Mr. Salim Ahmed | Vice-Chairman | 10,448,076 | 8,706,730 |
| Mr. Feroz Ahmed | Director | 9,177,840 | 7,648,200 |
| Mr. M. A. Awal | Director | 2,772 | 2,310 |
| Mr. Shishir Ranjan Bose | Independent Director | 1,968 | 1,640 |
| Mr. Faheemul Huq, Barrister-at-Law | Director | 379,524 | 316,270 |
| Mr. Syed Afzal Hasan Uddin, Barrister-at-law | Director | 1,968 | 1,640 |
| Mr. Gholam Sarwar | Director | 10,608 | 8,840 |
| Mr. Md. Mesbahul Hoque | Director | 1,968 | 1,640 |
| Mr. Md. Anwar Jamil Siddiqui | Director | 1,968 | 1,640 |
| Mr. B.B. Saha Roy | Director | 1,716 | 1,430 |
| Dr. M. Imtiaz Hossain | Depositor Director | - | - |
| Mrs. Runa Zakia Shahrood Khan | Depositor Director | - | - |
| Mr. M. Fazlur Rahman | President & Managing Director | - | - |
| Total | | 20,124,108 | 16,770,090 |
| * Record date | | April 30, 2013 | March 01, 2012 |

AB Bank Limited Financial Calendar

Quarterly Results of 2012

| | | |
|---|--------------|------------------|
| Unaudited results for the 1 st Quarter ended 30 th March 2012. | Announced on | April 26, 2012 |
| Unaudited result for the 2 nd quarter and half-year ended 30 th June 2012 | Announced on | July 26, 2012 |
| Unaudited results for the 3 rd Quarter ended 30 th September 2012 | Announced on | October 31, 2012 |
| Audited consolidated results for the year ended 31 st December 2012 | Announced on | March 28, 2013 |

| | | |
|---------------------------------------|-----------------------------|---------------------|
| 30th AGM | Price Sensitive Information | February 20, 2012 |
| | Record Date | March 1, 2012 |
| | AGM | May 2, 2012 |
| 30 th AGM Notice | Published Date | April 19, 2012 |
| Annual Report-2011 Distribution | - | April 11, 2012 |
| Stock Dividend Credited | Respective BO Account | May 10, 2012 |
| Cash Dividend Distribution | Respective Address | May 09 2012 [BEFTN] |
| Fraction (Payment Order) Distribution | -do- | N/A |

31st AGM

| | |
|------------------------------------|---------------|
| Price Sensitive Information | March 29 2013 |
| Record Date | April 30 2013 |
| Notice of the 31 st AGM | June 13, 2013 |
| Date of 31 st AGM | July 7 2013 |

Stock Details

| Particulars | DSE | CSE |
|----------------------------|----------------|---------------|
| Stock symbol | ABBANK | ABBANK |
| Listing Year | December, 1983 | January, 1996 |
| Market category | A | A |
| Electronic share | YES | YES |
| Face Value (Taka) | 10 | 10 |
| Market lot | 50 | 50 |
| Total number of securities | 442,333,668 | 442,333,668 |

Availability of Information about Annual Report

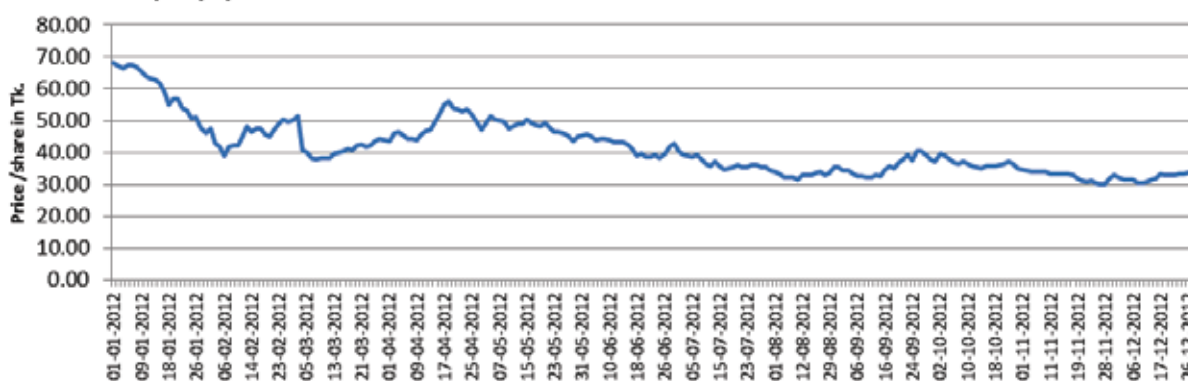
Annual Report 2012 and other information about ABBL may be viewed on ABBL website www.abbl.com

AB Bank Limited

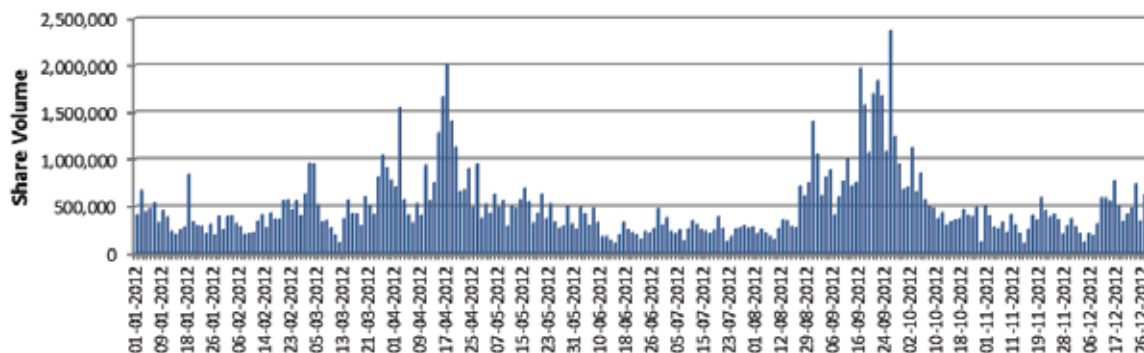
Price Trend of AB Bank Share

| Period | January to December 2012 |
|--------------------------------|--------------------------|
| Year End closing | Tk. 33.70 |
| Year High | Tk. 71.40 |
| Year Low | Tk. 31.00 |
| Average Trade Volume (Per Day) | 507,597 shares per day |
| Total Trade Volume | 120,300,369 shares |

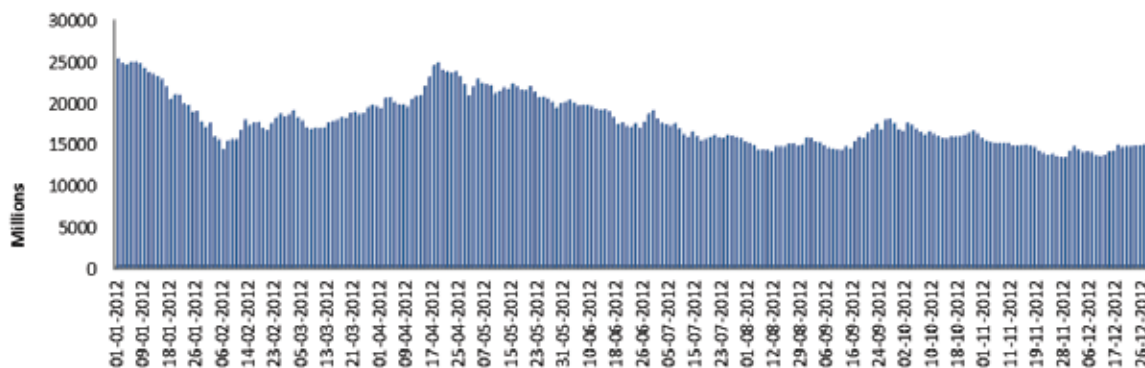
Price Trend (Graph)



Share Volume Trend



Market Capitalization Trend



AB BANK LIMITED

HEAD OFFICE: BCIC BHABAN, 30-31, DILKUSHA C/A, DHAKA

NOTICE OF THE 31ST (THIRTY FIRST) ANNUAL GENERAL MEETING

Notice is hereby given that the 31st (thirty first) Annual General Meeting (AGM) of AB Bank Limited will be held **on July 07, 2013 (Sunday) at 11:00 a.m.** at the Bashundhara Convention Centre, Block-G, Bashundhara R/A, Baridhara, Dhaka, to transact the following business:

AGENDA

| | |
|----|---|
| 1. | To receive and adopt the Directors' Report, the Audited Financial Statements for the year ended 31 st December, 2012 and the Auditors' Report thereon. |
| 2. | To declare the Dividend for the year ended December 31, 2012 as recommended by the Board of Directors. |
| 3. | To elect Directors. |
| 4. | To approve the appointment of Independent Director. |
| 5. | To appoint Auditor for the year 2013 and fix their remunerations. |

Dated: June 13, 2013

By order of the Board
Sd/-
Company Secretary

NOTES:

- 'Record Date' was April 30, 2013 (Tuesday).**
The Shareholders whose names appeared in the Register of Members of the Company or in the Depository Register on the **'Record Date'** will be eligible to attend the AGM and will qualify for the Dividend.
- A Member entitled to attend and vote at the Annual General Meeting can appoint a proxy to attend and on a poll to vote on his/her behalf. Form of Proxy duly stamped must be deposited at the Company's Registered Office not later than **forty eight hours** before the time fixed for the meeting and in default, Form of Proxy will not be treated as valid.
- Members are requested to notify change of address, if any, well ahead. **For BO Account holders, the same to be rectified through their respective Depository Participants.**
- Admission into the Venue of the AGM will be allowed on production of the Attendance Slip sent with the Annual Report.
- Shareholders are requested to register their names in the counter **at the AGM Venue from 9:00 a.m. to 11:30 a.m.**

AB Bank Limited



AB Bank Limited
Glimpses of 30th AGM



1. Board of Directors conducting 30th AGM. **2.** First Sponsor Chairman expressing his views. **3.** Chairman, along with Managing Director, answering shareholders. **4.** A partial view of shareholders. **5.** A shareholder delivering his speech.

AB Bank Limited
Glimpses of 30th AGM



6. Board of Directors with previous Chairmen. **7.** AGM venue entrance. **8.** Shareholders registering for AGM. **9.** A partial view of shareholders' presence at 30th AGM.

Economic Impact Report



AB Bank Limited Economic Impact Report

AB, being a responsible corporate citizen, and a dynamic financial institution, has created value in line with its mission "To be the best performing bank in the country". AB has put in place an organizational and operational framework which is based on transparent and ethical conduct of business to progress in the creation of such value. The Bank has systems, processes, and procedures to create value with appropriate risk management (validation) system in order to ensure sustainable value addition to stakeholders. It has not been a case of bottom line enhancement alone but creation of value conducive to socio-economic development.

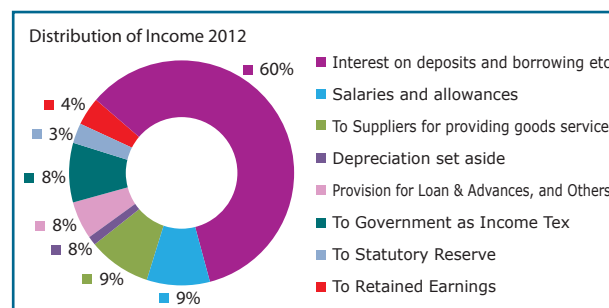
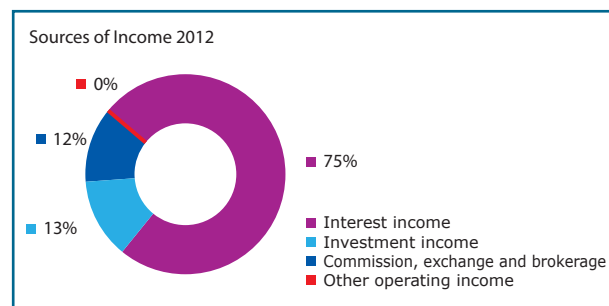
Savings, investment, production, distribution, consumption of goods and service, and employment generation are essential parts of an Economic System. As a financial intermediary, the Bank plays an important catalytical role in the mobilization of resources like savings and allocation thereof in productive investments, consumptions and development of trading activities locally and internationally.

Economic impact related to a bank as an institution and ordained activities of a bank extend beyond the boundaries of any single organization and are linked to both environmental and social development. By analyzing economic impact we seek to understand how a company adds value to society. Bank's direct contributions to the economy would comprise of creation of employment opportunities, collection of taxes on behalf of the government etc. including harnessing the savings habits among the members of the community and improvement of socio-economic and environmental performance in client organizations through banking services could be considered as indirect contributions.

Bank as an institution is woven in to the socio-economic fabric involving numerous sectors of the society which together are identified as stakeholders of a bank. Shareholders provide much needed capital, depositors and investors invest money, borrowers obtain credit facility, employees put their effort in enabling the bank to serve customers and government provides financial infrastructure by way of regulatory, systems, supervisions etc. Financial services thus provided lead to creation of wealth which is bound to be distributed among stakeholders in different forms of distribution like Dividend, Interest, Tax, Salaries etc.

Sources & Distribution of Income for the year ended December 31, 2012

| Particulars | Taka in crore | | | |
|---|---------------|-------------|--------------|-------------|
| | 2012 | % of Total | 2011 | % of Total |
| Source of Income | 2,103 | 100% | 1,818 | 100% |
| Interest income | 1,571 | 75% | 1,283 | 71% |
| Investment income | 271 | 13% | 264 | 15% |
| Commission exchange and brokerage | 246 | 12% | 221 | 12% |
| Other operating income | 14 | 1% | 49 | 3% |
| Distribution of Income | 2,103 | 100% | 1,818 | 100% |
| Interest paid on deposits and borrowing etc. | 1,259 | 60% | 1,044 | 57% |
| Salaries and allowances | 188 | 9% | 168 | 9% |
| To Suppliers for providing goods and services | 188 | 9% | 145 | 8% |
| Depreciation set aside | 32 | 2% | 30 | 2% |
| Provision for Loan & Advances, and Others | 117 | 6% | 135 | 7% |
| To Government as Income Tax | 175 | 8% | 163 | 9% |
| To Statutory Reserve | 62 | 3% | - | 0% |
| To Retain Earnings | 81 | 4% | 133 | 7% |



AB has taken following measures to create, sustain and deliver value which are as follows:

AB Bank Limited

Economic Impact Report

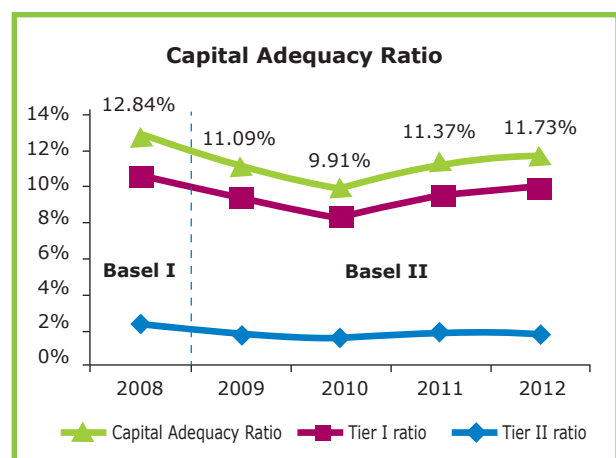
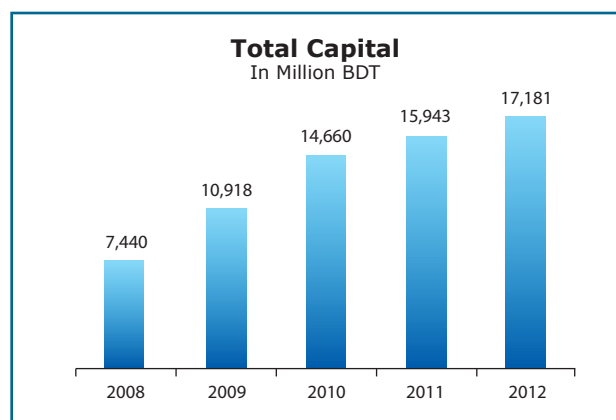
A. Maintaining adequate capital

Capital adequacy is the measure of the financial strength and sustainability of a bank. Capital Adequacy Ratio (CAR) determines the capacity of the Bank in terms of meeting the time liabilities and other risks such as credit risks, market risks, operational risks, etc. It is the policy of AB to maintain adequate capital as a cushion for potential losses to absorb unforeseen eventualities/shocks, to ensure long term sustainability and growth of the Bank to endure and enhance shareholders value.

At the end of 2012, Bank's total capital reached at Taka 1,718.14 Crore as against Taka 1,594.33 Crore on December 31, 2011.

Summary of total capital and capital adequacy ratio of the Bank under Basel II is as follows:

| | Taka in Crore | |
|---------------------------------|------------------|------------------|
| | 2012 | 2011 |
| Core Capital - Tier I | 1,462.98 | 1,340.96 |
| Supplementary Capital - Tier II | 255.17 | 253.37 |
| Total Capital | 1,718.14 | 1,594.33 |
| Risk weighted assets | 14,649.22 | 14,023.59 |
| CAR against | | |
| Core Capital | 9.99% | 9.56% |
| Supplementary Capital | 1.74% | 1.81% |
| Total Capital | 11.73% | 11.37% |



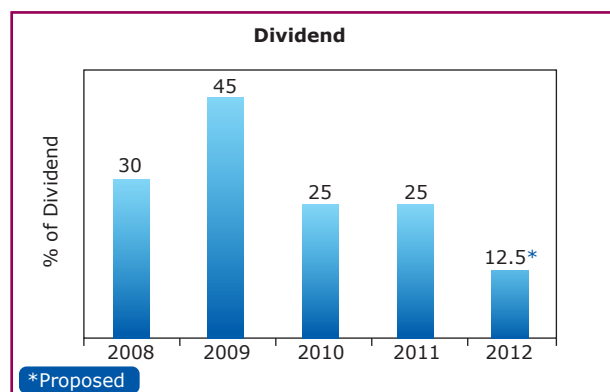
B. Risk Management

Risk management covering credit risks, market risks and operational risks is at the heart of all business operations and transactions of AB. Risk management system has been designed and implemented to ensure quality and value of assets and smooth banking operations and services in a sustainable way to protect the interest of shareholders, depositors and all the stakeholders. Risk management systems also comply with Bangladesh Bank's core risk management guidelines.

C. Sustainable Dividend policy

AB's dividend policy aims at ensuring long term sustainable growth maintaining capital adequacy requirements which ultimately leads to shareholder's value creation.

AB Bank paid 20% Stock Dividend and 5% Cash Dividend in 2011 while for 2012 the proposition is Stock Dividend 12.5% respectively.



D. Maintenance of Liquidity

Bank maintains liquid assets to carry out the day-to-day operations and fulfill the statutory requirements in relation to business as imposed by the regulator from time to time. Asset & Liabilities Committee (ALCO) of the Bank monitors the evolving business situation and provides direction to maintain an optimum trade-off between liquidity and profitability.

AB maintains positive mismatch in interest earning assets and interest bearing liabilities. Bank has detailed laid down plan for business inflow-outflow to manage liquidity profile and also ensure generation of profitability.

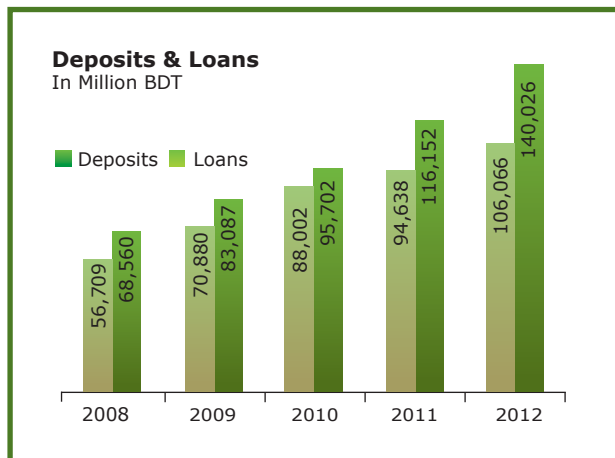
AB Bank Limited Economic Impact Report

E. Utilization of resources

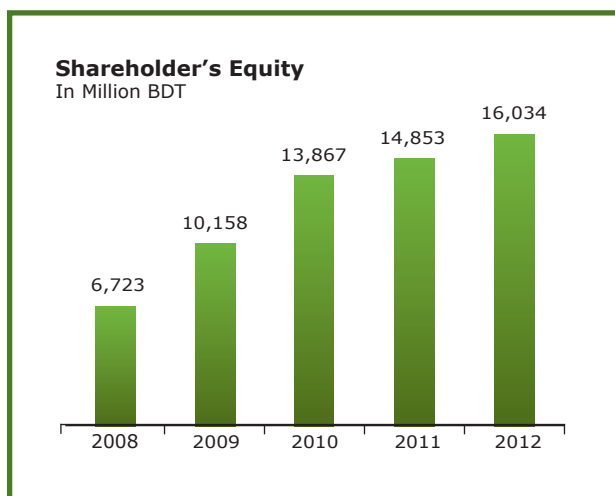
Bank follows a well defined strategy and plan to mobilize resources such as deposits and borrowings, besides the capital, cost effective market responsive measures of fund mobilization are also adopted for the purpose with due consideration of profitable investments for bottom line growth.

Resource allocation at competitive rate follows the productive sectors including export oriented sectors ship-breaking etc. Sectors like SME, Women Entrepreneur and Agriculture are also in the resource mobilization scheme.

The Bank has maintained Credit-Deposit ratio to ensure resource utilization in a proper ways. This has contributed towards improvement of assets quality and generation of income in the overall. Further, the cost-income ratio of the Bank signifies the optimum utilization of resources.

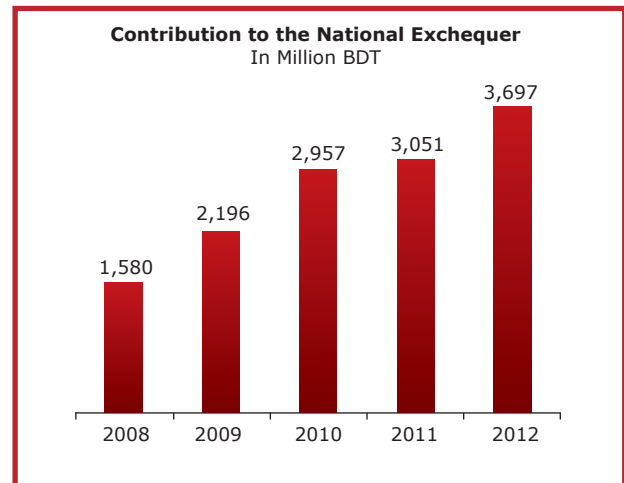


Shareholders equity of the Bank stood at Taka 1,603.38 crore on 31 December 2012 being resultant cumulative of prudent dividend, tax and capital expenditure planning.



F. Contribution to the National Exchequer

AB Bank contributed Taka 369.7 crore into the national exchequer in the form of VAT, Income Tax and Excise Duty.



AB Bank Limited

Economic Impact Report

G. VALUE ADDED STATEMENT

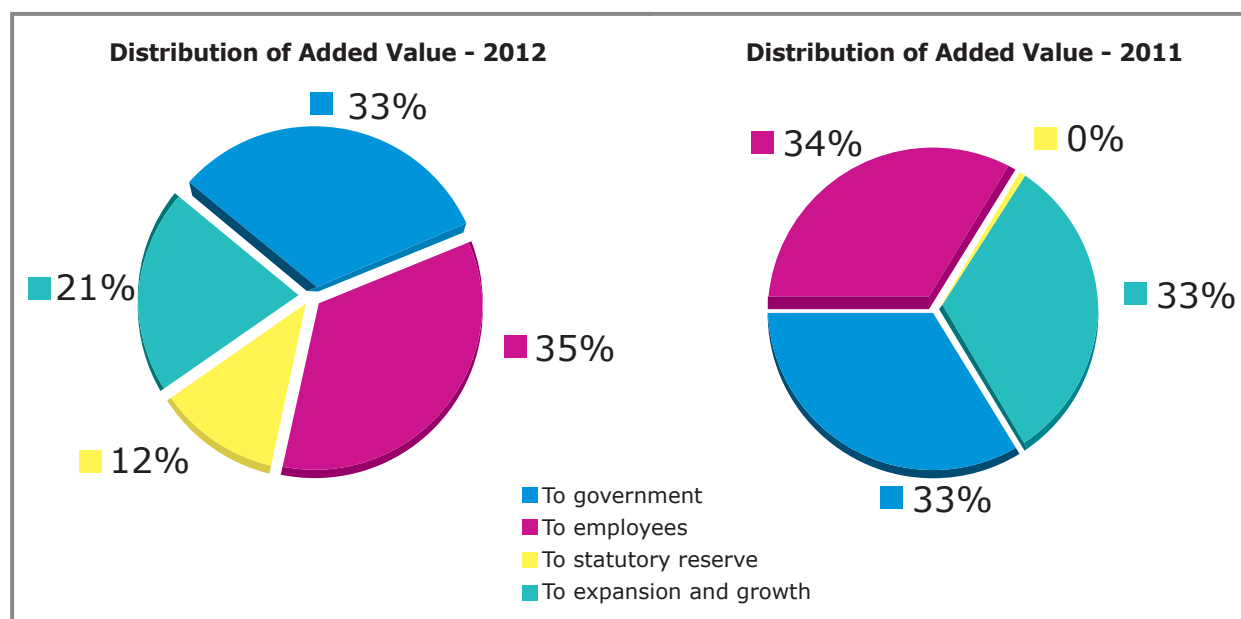
Value Added Statement (VAS) for the year ended 31 December 2012

The Value Added Statement for the Bank shows how the value is created and distributed among different stakeholders of the Bank.

| | 2012 Core Taka | 2011 Core Taka |
|---|--------------------------|--------------------------|
| Income from Banking Services/Total Income | 2,102.64 | 1,817.94 |
| Less: Cost of services & supplies : | | |
| Interest paid on deposits and borrowings, etc | 1,259.15 | 1,043.67 |
| Total operating expenses excluding salary and allowances and depreciation | 187.93 | 145.20 |
| | 1,447.08 | 1,188.87 |
| Less: Loan loss provision and other provisions | 117.27 | 135.48 |
| Total value added | 538.29 | 493.59 |

Distribution of added value

| | | | | |
|--------------------------------|---------------|------------|---------------|------------|
| To Government | 175.17 | 33% | 162.94 | 33% |
| To Employees | 187.68 | 35% | 167.92 | 34% |
| To Statutory reserve | 62.41 | 12% | - | 0% |
| To expansion and Growth | 113.03 | 21% | 162.73 | 33% |
| Retained earning | 81.45 | | 132.80 | |
| Depreciation | 31.58 | | 29.93 | |
| | 538.29 | | 493.59 | |



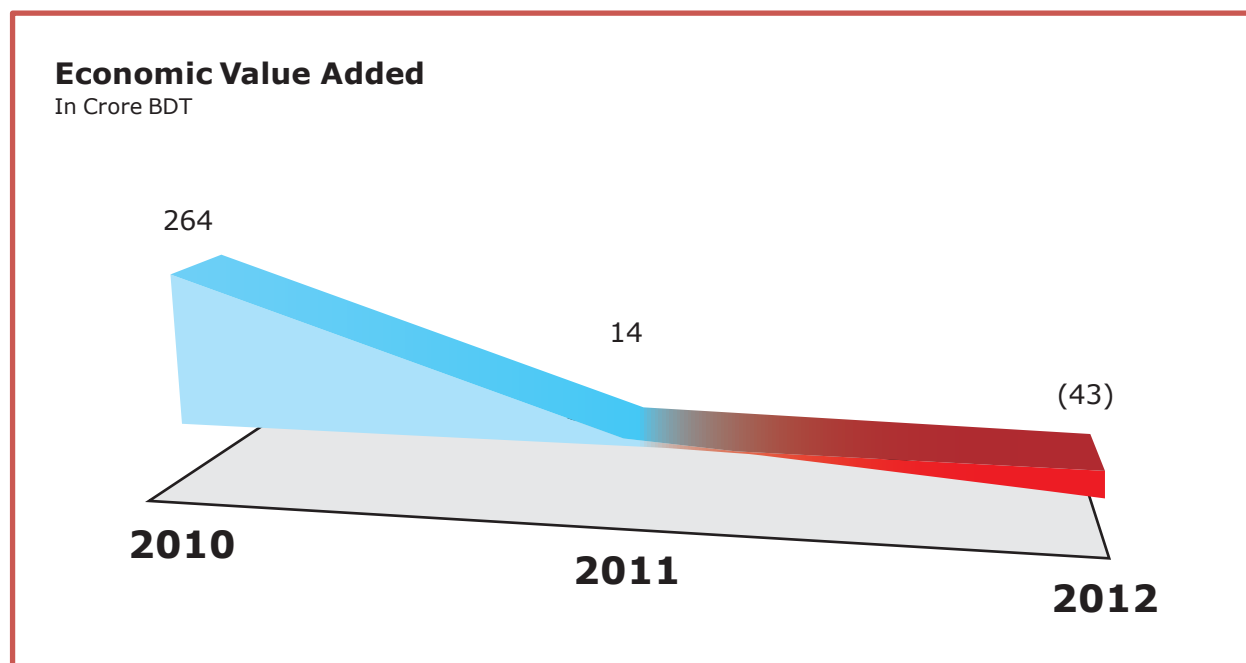
AB Bank Limited Economic Impact Report

H. ECONOMIC VALUE ADDED STATEMENT

EVA Statement for the year ended 31 December 2012

Economic Value Added (EVA) is a key performance indicator to measure profitability of a Bank as compared to cost of equity capital. It indicates how much additional value has been created by the Bank for its shareholders after deducting the minimum rate of return required by the shareholders i.e. cost of equity.

| | <i>In Crore BDT</i> | | |
|--|---------------------|--------------|--------------|
| | 2012 | 2011 | 2010 |
| Shareholder's equity | 1,603 | 1,485 | 1,387 |
| Add: Cumulative provisions | 478 | 441 | 305 |
| Total Invested fund by shareholders | 2,081 | 1,926 | 1,692 |
| Average Shareholder's equity [A] | 2,004 | 1,809 | 1,454 |
| Earnings for the year | | | |
| Profit after taxation | 144 | 133 | 370 |
| Add: Total provisions excluding taxation | 117 | 135 | 105 |
| Earning for the year [B] | 261 | 268 | 475 |
| Average Cost of Equity (based on highest rate of Shanchay Patra issued by the Government of Bangladesh) plus 2% risk premium [C] | 15.19% | 14.07% | 14.50% |
| Cost of average equity [D=A X C] | 304 | 255 | 211 |
| Economic Value Added [B-D] | -43.2 | 13.8 | 264.0 |
| Growth over last year | -414% | -95% | 5% |



AB Bank Limited

Economic Impact Report

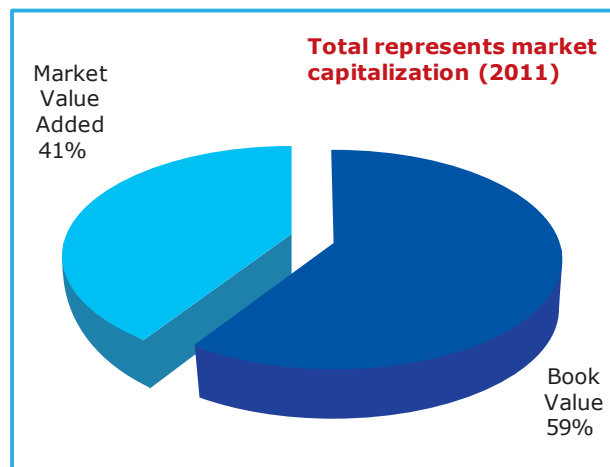
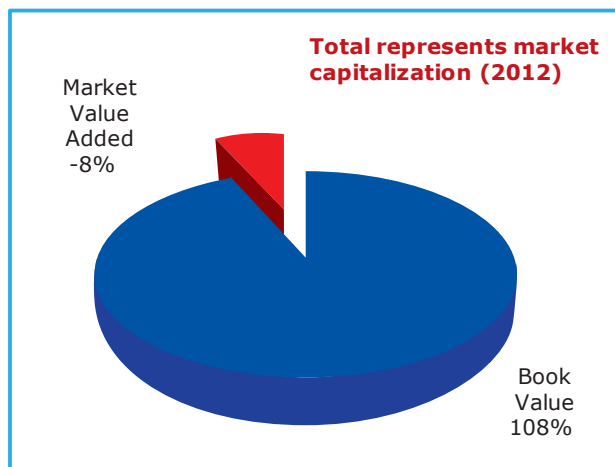
I. MARKET VALUE ADDED STATEMENT

Market Value Added (MVA) Statement for the year ended 31 December 2012

Market Value Added (MVA) is the difference between the current market value (based on the quoted price in the main bourse) of a company and the capital contributed by investors. A high MVA indicates the company has created substantial wealth for the shareholders.

The share market value of AB stood at Taka 1,491 crore whereas the book value of the Shareholder's Equity stood at Taka 1,603 crore, resulting in a negative Market Value of Taka 113 crore as on 31 December 2012. The calculation of Market Value is given below:

| | <i>In Crore BDT</i> | |
|--------------------------------------|---------------------|--------------|
| Market Value Added | 2012 | 2011 |
| Total market value of the equity | 1,491 | 2,518 |
| Less: Total book value of the equity | 1,603 | 1,485 |
| | (113) | 1,032 |



Risk Management Report



AB Bank Limited

Risk Management Report

1. Overview

It is world wide accredited that Banking is a risk taking business. Risk is defined as uncertainties resulting in adverse variations of profitability or in losses, financial or otherwise. Risk taking is an inherent element of banking business. The risk management of the Bank covers core risk areas of banking viz, capital management, credit risk, operational risk, liquidity risk, compliance risk, market risk that includes foreign exchange risk, equity price risk, interest rate risk etc. Besides above risks, Bank considers residual risk, securitization risk, evaluation of core risk management, credit concentration risk, interest rate risk in banking book, settlement risk, strategic risk, reputation risk, environmental risk, risk arising from anti money laundering etc. The objective of risk management is that the Bank evaluates and takes well calculative business risks and thereby safeguarding 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 global best practices as under:

a. Credit risk

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

b. Operational risk

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

c. Market risk

Market risk is the risk of losses in On and Off Balance Sheet positions arising from movements in market price such as changes in interest rate and price of equity, foreign exchange and commodity.

d. Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations as they fall due as a result of a sudden, and potentially protracted, increase in net cash outflows. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in balance sheet and sale of assets, or potentially an inability to fulfill lending commitments. This risk is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events.

e. Risk arising from money laundering

AB considers prevention of money laundering risk not only as a compliance requirement imposed by the law of the country but also as one of its core business values. The Board of Directors and Senior Management are firmly committed to combat money laundering. Every year, a message from the President and Managing Director's Office goes to all employees of the Bank reiterating the importance of the issue. There is a high profile Central Compliance Unit (CCU) in place to oversee the anti-money laundering activities. President and Managing Director himself supervises the function of CCU. Operation has separate and dedicated headcount for surveillance of the anti-money laundering functions across the Bank. Training and awareness programs are regularly held to make all employees aware of the issue. Bank has also undertaken campaign against money laundering through electronic media.

f. Other material risk

i. Business risk

Business risk is the risk that relates to the risk of losses arising from lower net interest margin, lower non-funded income and higher expenses from predetermined label. It is resulted from change of market condition, customer behavior, or technological development from budgeted situation.

ii. Technological risk

Technology is a key business enabler and requires an appropriate level of control to ensure that the most significant technology risks are effectively managed. Such risks include the non-availability of IT systems, inadequate design and testing of new and changed IT solutions and inadequate IT system security. Data privacy issues are covered under Regulatory Risk and external supplier issues relating to technology are covered under Operational Risk. AB Bank maintains DR sites to ensure contingency arrangement.

AB Bank Limited Risk Management Report

iii. Residual risk

The collateral which are use mitigating risk, can pose additional risks (legal and documentation risks). For example:

- The liquidation procedure of the collateral is difficult and time consuming
- The valuation of the collateral is inappropriate (e.g. overvaluation)

Bank is able to manage risks that result from the use of credit risk mitigation techniques, including residual operational and legal risks. Bank has appropriate governing and control systems, valuation procedures and internal regulations for the prudent handling of risks.

iv. Evaluation of core risk management

Core risk management guidelines are provided to the Banks with a view to enhancing knowledge, skill and to introduce uniform risk management system in the banks. Non-compliance of core risk management comes out of under-estimation of assessment procedure, valuation, level of implementation etc. and leads to the Bank's financial losses. It may be caused by the negligence, knowledge limits, insufficient data or changes which make approaches imperfect. AB Bank has its core risk management guideline and continually evaluated above guideline to manage related risks.

v. Credit concentration risk

Credit concentration risk may arise from exposure to single entity/ group and/or exposures in the same economic or geographic sector and/ or credit concentration in dependent industries. Downturn in concentrated activities and/ or areas may cause huge losses to Bank relative to its capital and can threaten the Bank's health or ability to maintain its core operations. Bank properly managed its credit portfolio to reduce concentration risk.

vi. Interest rate risk in the Banking book

Interest rate risk in the Banking book has to be taken into account as a potential risk. Source and types of interest rate risks in banking book are:

- a. Gap or mismatch risk
- b. Basis risk
- c. Net interest position risk
- d. Embedded option risk etc.

vii. Settlement risk

Settlement risk arises when an executed transaction is not settled as per the standard settlement system. Settlement risk addresses to the credit risk and liquidity risk elements. Treasury transactions, trading book items and capital market dealings are concluded as part of investments services convey settlement risk that specific mix of credit and liquidity risk.

viii. Reputational risk

Reputational risk is the current or prospective indirect risk to earnings and capital arising from adverse perception of the image of the Bank on the part of customers, counterparties, shareholders, investors or regulators. Reputational risk may originate from the lack of compliance with industry service standards, failure to deliver on commitments, lack of customer friendly service and fair market practices, low or inferior service quality, unreasonable high costs, a service style that does not harmonize with market benchmarks or customer expectations, inappropriate business conduct or unfavorable authority opinion and actions.

ix. Strategic risk

Strategic risk means the current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, or from the overlooking of changes in the business environment. Typical sources of strategic risk are e.g. endeavors to achieve a growth rate or market share that does not synchronize with the market environment, lack of timely and proper adherence to environmental changes, assignment of inappropriate means to correctly chosen objectives, poorly timed alignment to changes in the business environment, or specific actions that do not comply with strategic objectives.

x. Environmental risk

Environmental and climate changes risk refers to the uncertainty or probability of losses that originates from any adverse environmental or climate change events (natural or man-made) and/ or the non-compliance of the prevailing national/ BB environmental regulations. Environmental and climate changes risk can hamper the business stability of the borrowers in respect of both- i) profitability and ii) reputation. Consequently, the extent of risk for the Banks will be higher.

AB Bank Limited

Risk Management Report

2. AB's risk management strategy

Objective

At a strategic level, Bank's risk management objectives are:

- To identify and analyze risks and manage their consequences.
- To identify the Bank's material risks.
- To ensure that Bank's risk exposure is within the limits established by the Board.
- To formulate the Bank's Risk Appetite and ensure that business profile and plans are consistent with it.
- To optimize risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures.
- To ensure that business growth plans are properly supported by effective risk infrastructure.
- To maintain sufficient capital as a buffer to take risk.
- To ensure that risk taking decisions are in line with the business strategy and objectives set by the Board.
- To manage risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions.
- To improve the control and co-ordination of risk taking across the business.

Policies & Guidelines

To ensure that risks are properly addressed to and protected for sustainable development of the Bank, there are well documented approved policies, processes and procedures covering all risk areas. These are formulated taking into account Bangladesh Bank's Guideline on managing Core Risks on Credit Risk Management, Internal Control & Compliance, Asset and Liability Management, Foreign Exchange Risk Management, Information Technology Risk Management and Money Laundering Risk Management. These policies are regularly reviewed and updated to keep pace with the changing operating environment, technology and regulatory requirements.

Assigning responsibilities

Responsibility for risk management resides at all levels within the Bank, from the Board and the Executive Committee down through the organization to each business manager and risk specialist. Well defined

delegation and authority is in place. Bank distributes these responsibilities so that risk/return decisions are taken at the most appropriate level; as close as possible to the business, and subject to robust and effective review and challenge. The risk management procedures are approved, monitored and mitigated at various stages of the Bank with a combination of Board, its Committees - Executive Committee and Audit Committee, Management Committees (MANCOM), Assets Liability Committees (ALCO), Risk Management Division (RMD), Credit Committee and Internal Control & Compliance Division (ICCD) as detailed below:

Board of Directors

The Board is responsible for approving and setting Risk Appetite, which is the level of risk the Bank chooses to take in pursuit of its business objectives. The Board is also responsible for the Internal Control and Compliance Framework. Board oversees, approves and ensures all major risk management policies and parameters taking into account market condition, regulatory requirements and lessons learned in the past. The Board ensures through senior management that control mechanism and effective internal control system are in place to make sure that Bank's risk assets are well protected.

Executive Committee of the Board

Executive Committee is responsible to oversee that the management and its committees are operating within approved limits and authorities and that all major risks are managed and mitigated effectively and potential and actual losses arising from risks are within acceptable limits.

Audit Committee of the Board

The Audit Committee assists Board in meeting its responsibilities for an effective system of financial reporting, internal control and risk management. It has responsibility for reviewing the findings of internal and external auditors and monitoring outstanding actions for timely completion. It is supported by the Bank's Internal Audit function. Audit Committee receives reports on the operation of the risk framework and the risk management processes and systems in place in the Bank.

AB Bank Limited

Risk Management Report

Management Committees (MANCOM)

MANCOM ensures that the risk framework provides the risk information required by the Bank's senior management to manage the Bank's risk profile, and that the risk profile fully articulates those risks which may impact the Bank's ability to achieve its objectives.

It also ensures compliance with all relevant risk management policies.

Assets and Liabilities Committee (ALCO)

ALCO supports and advises the Managing Director, on the management of the Bank's Balance Sheet. In the context of the risk framework, it monitors the financial performance and risk profile of the Bank's main financial activities, and of the balance sheet as a whole.

Internal Control and Compliance Division (ICCD)

ICCD independently verifies compliance with all approved risk management and internal control policies. Deviations are identified, reported and corrected to mitigate risks on a continuous basis and to ensure that the Bank is operating in compliance with all approved and established policies.

3. Credit Risk Management

Credit risk is the risk of suffering financial loss from any of the Bank's customers, clients or market counterparties fail to fulfill their contractual obligations to the Bank. The granting of credit is one of the Bank's major sources of income and, as the most significant source of risk, the Bank dedicates, considerable resources to controlling it. The credit risk that the Bank faces arises mainly from wholesale and retail loans and advances together with the counterparty credit risk.

The Bank has segregated duties of the officers/executives involved in credit related activities. A separate Corporate Division has been formed at Head Office which is entrusted with the duties of maintaining effective relationship with the customers, marketing of

credit products, exploring new business opportunities, etc. Moreover, credit approval, administration, monitoring and recovery functions have been segregated. For this purpose, two separate units have been formed within the credit division. These are (a) Credit Risk Management Division and (b) Credit Administration Division. Credit Risk Management Division is entrusted with the duties of maintaining asset quality, assessing risk in lending to a particular customer, sanctioning credit, formulating policy/strategy for lending operation, etc. Adequate provision has been made on classified loans/investments.

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

In determining Single borrower Exposure / 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 policies.

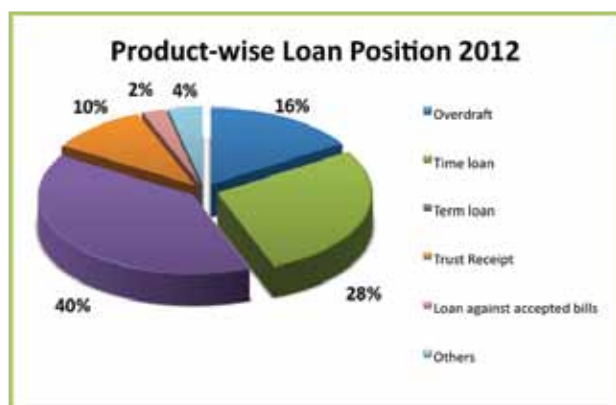
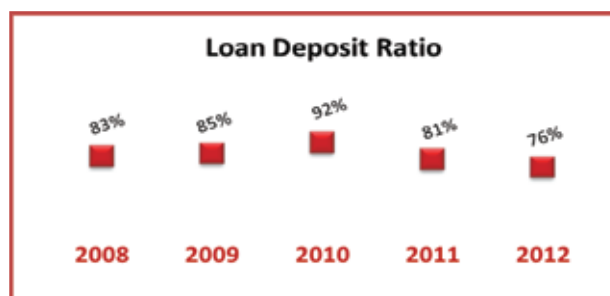
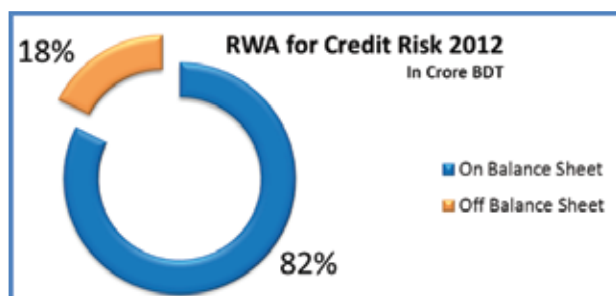
Loans are classified as per Bangladesh Bank's guidelines. Interest accrued on classified loan is suspended and adequate provision is maintained there against as per Bangladesh Bank's Guidelines.

Quantitative information:

| | Taka in Crore | |
|--|----------------|----------------|
| | At 31 Dec 2012 | At 31 Dec 2011 |
| Total Loan and Advances | 10,607 | 9,464 |
| Total Risk Weighted Assets for Credit Risk: | 12,505 | 11,790 |
| On Balance Sheet | 10,294 | 9,400 |
| Off-Balance Sheet | 2,211 | 2,390 |
| Total Capital requirement for Credit Risk | 1,251 | 1,179 |
| Total provision maintained for Loan & advances | 232 | 235 |

AB Bank Limited

Risk Management Report



4. Market Risk Management

Market Risk is the risk that Bank's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, commodity prices, equity prices and foreign exchange rates.

Banks market risk objectives are to:

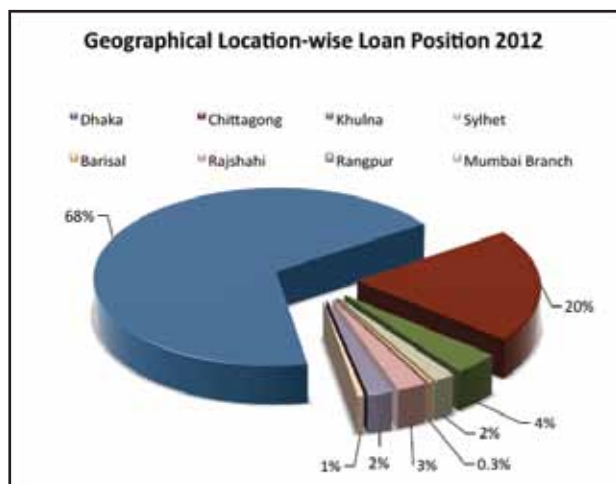
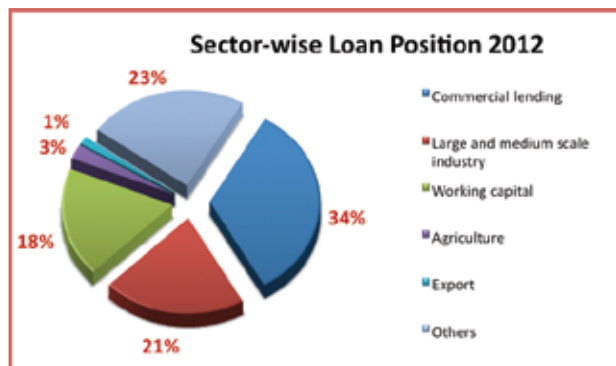
- Understand and control market risk by robust measurement and the setting of limits.
- Facilitate business growth within a controlled and transparent risk management framework.
- Minimize non-traded market risk.

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

i) Foreign exchange risk

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

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



AB Bank Limited Risk Management Report

ii) Interest rate risk

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

iii) Equity position risk

Equity risk arises from movement in market value of equities held. The risks are monitored by the Investment Banking Division under a well designated policy framework. The market value of equities held was however higher than the cost price at the balance sheet date.

Equity risk is calculated under two category named by "specific risk" and the "general market risk". Specific risk of a security represents that portion of risk which stems from firm specific factors. Events of this nature primarily affect the specific firm and not all firms in general. Hence, specific risk of a stock can be washed away by combining it with other stocks. Market risk of a stock represents that portion of its risk which is attributable to economy wide factor.

iv) Commodity risk

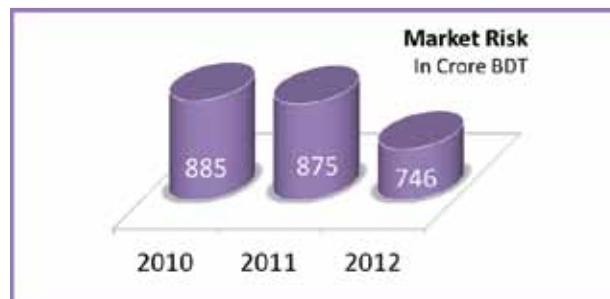
Commodity risk refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities. These commodities may be grains, metals, gas, electricity etc. A commodity enterprise needs to deal with the following kinds of risks:

- Price risk (Risk arising out of adverse movements in the world prices, exchange rates, basis between local and world prices)
- Quantity risk
- Cost risk (Input price risk)
- Political risk

Bank has not any commodity risk as on the reporting period.

Quantitative information:

| | Taka in Crore | |
|---|----------------|----------------|
| | At 31 Dec 2012 | At 31 Dec 2011 |
| Total Capital requirement for Market risk: | 74.61 | 87.52 |
| Interest rate risk | 7.98 | 18.97 |
| Equity position risk | 61.99 | 54.37 |
| Foreign Exchange risk | 4.64 | 14.18 |
| Commodity risk | - | - |



5. Operational Risk Management

Operational risk is the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems. Operational risks are inherent in the Bank's operations and are typical of any large enterprise. Major sources of operational risk include: operational process reliability, IT security, outsourcing of operations, dependence on key suppliers, implementation of strategic change, integration of acquisitions, fraud, human error, customer service quality, regulatory compliance, recruitment, training and retention of staff, and social and environmental impacts.

Bank is committed to the advanced measurement and management of operational risks. In particular, it has implemented improved management and measurement approaches for operational risk to strengthen control, improve customer service and minimize operating losses.

The Bank's operational risk management framework aims at:

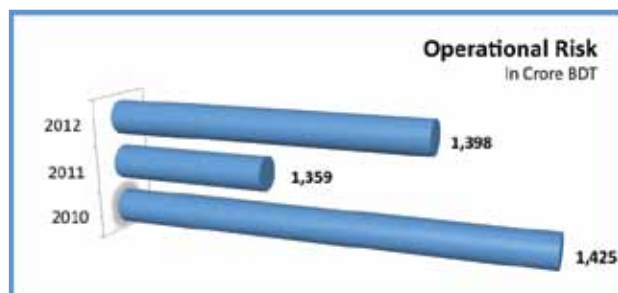
- Understand and report the operational risks being taken.
- Capture and report operational errors made. Understand and minimize the frequency and impact, on a cost benefit basis, of operational risk events.
- Manage residual exposures using insurance.

AB Bank Limited

Risk Management Report

Quantitative information:

| | Taka in Crore | |
|---|----------------|----------------|
| | At 31 Dec 2012 | At 31 Dec 2011 |
| Total RWA for Operational risk | 1,398 | 1,359 |
| Total Capital requirement for Operational risk: | 140 | 136 |



6. Liquidity Risk Management

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 Financial Institution & Treasury (FIT) Division under approved policy guidelines. FIT Front Office is supported by a very structured Mid Office and Back Office. The liquidity management is monitored by Asset Liability Committee (ALCO) on a regular basis.

7. Capital Plan and Management

The Bank is committed to maintain a strong capital base to support business growth, comply with all regulatory requirements, and obtain good credit rating and CAMELS rating and to have a cushion to absorb any unforeseen shock arising from credit, operational and market risk.

Capital Maintenance & Dividend policy

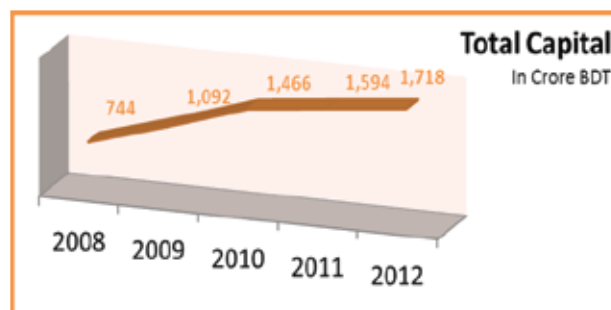
Following important issues are considered for capital maintenance and dividend policy:

- Increased capital requirement for sustainable business growth
- Keeping sufficient cushion to absorb unforeseen shock or stress
- Cost effective options for raising Tier I and Tier II capital
- Improving credit rating and CAMELS rating of the Bank
- Meeting regulatory requirements
- Meeting covenants of lenders

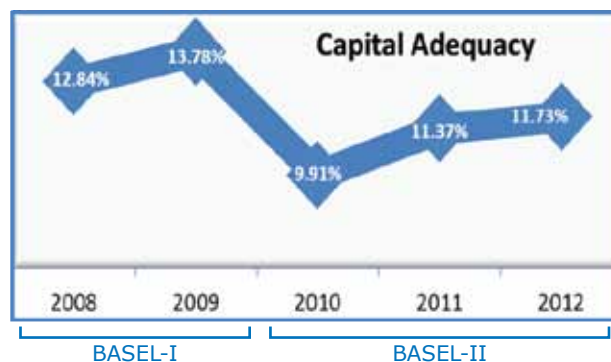
The Board is responsible to ensure capital management within a broad framework of risk management.

The Bank has been pursuing a dividend policy that must ensure satisfactory return for shareholders as well as sustainable growth of the Bank with strong capital adequacy ratio to protect greater interest of depositors and shareholders.

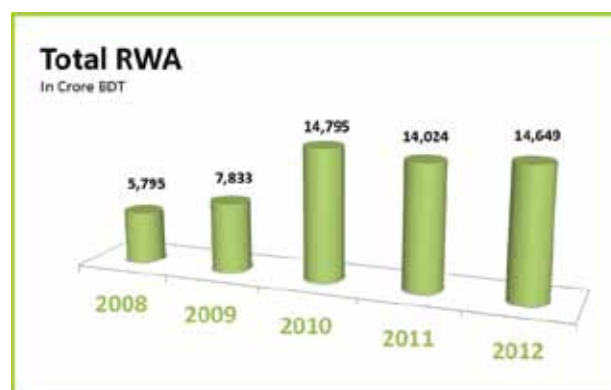
Total Capital of last five years:



Capital Adequacy Ratio of last five years:



Total Risk Weighted Assets of last five years:



8. Stress Testing

AB Bank prepared Stress Testing Report on Quarterly basis in accordance with Bangladesh Bank Guidelines. We considered the following different risk factors as specified by Bangladesh Bank for the stress testing:

AB Bank Limited Risk Management Report

- i. Credit Risk:
 - a. Increase in NPLs
 - b. Increase in NPLs due to default of Top large borrowers
 - c. Fall in the forced sale value (FSV) of mortgaged collateral
 - d. Negative shift in the NPLs categories
 - e. Increase of NPLs in particular 2 sectors
- ii. Interest Rate Risk
- iii. Exchange Rate Risk
- iv. Equity Price Risk
- v. Liquidity Risk
- vi. Combined shock

Latest Stress Testing Report based on December 31, 2012 has been approved by the Board of the Bank and accordingly submitted to Bangladesh Bank.

9. Supervisory Review Process (SRP) - Supervisory Review Evaluation Process (SREP) on Internal Capital Adequacy Assessment Process (ICAAP).

Supervisory Review Process (SRP) underscores principle that Banks have a process for assessing overall capital adequacy in relation to risk profile and strategy for maintaining their capital at an adequate level.

The process involves constitution of two teams viz SRP Team at the Bank level and SREP Team at Bangladesh Bank. Accordingly, Bank formed SRP team which was duly approved by the Board.

Supervisory Review Evaluation Process (SREP) Team of BB is assigned with the review and evaluating of Bank's ICAAP and strategies, as well as ability to monitor and ensure compliance with economic Capital Adequacy Ratio (CAR).

Under this process, Bank has to maintain "adequate capital" in addition to Minimum Capital Requirement (MCR) under Section 13 of Bank Companies Act, 1991. Adequate Capital Requirement (ACR) is in addition to MCR, for the following risks:

- Residual risk
- Evaluation of Core Risk management
- Credit concentration risk
- Interest rate risk in the banking book
- Liquidity risk
- Reputation risk
- Settlement risk
- Strategic risk
- Environmental & Climate change risk
- Other material risk

Document on SRP – SREP Dialogue on ICAAP based on December 31, 2010 has already been approved by the Board of the Bank and accordingly submitted to Bangladesh Bank. SRP-SREP dialogue on the ICAAP between SRP team and Basel-II Implementation Cell of Bangladesh Bank held on May 22, 2012.

10. Basel II & its implementation

Bangladesh Bank has taken measures to implement BASEL II in banking sector effective from January 2009 in parallel with Basel 1. From January 2010 it has fully come into force.

Bangladesh Bank issued guidelines on Risk Based Capital Adequacy for Banks vide BRPD Circular No. 09 dated 31 December 2008 and subsequently latest amendment on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks inline with BASEL II) BRPD Circular No. 35 of 29 December 2010. Under standardized approach, Basel II requires the recognition of External Credit Assessment Institution (ECAI) and credit rating of the borrowers. Accordingly, a guideline has been prepared by Bangladesh bank and few credit rating agencies have been recognized for this purpose.

In line with Bangladesh Bank requirement, AB Bank has already formed a Basel II implementation Unit to ensure timely implementation of Basel II accord.

11. Risk Management Division

As per Bangladesh Bank guideline, AB Bank has formed a high-powered Risk Management Division (RMD) for overall risk management of the Bank.

Information relating to Disclosures on Risk Based Capital (Basel II) based on 31 December 2012 as required by BRPD Circular no. 35 of 29 December 2010 is given in Annex-E1 of the audited Financial Statements of the Bank for the year 2012.



Directors' R e p o r t

AB Bank Limited

Directors' Report 2012

Bismillahir Rahmanir Rahim

Honorable Shareholders

Assalamualaikum

The Board of Directors of AB Bank Limited takes immense pleasure in presenting the 31st Annual Report of the Bank. AB started with a single Branch operation at Kawran Bazar, Dhaka in 1982 celebrated its 31st year of operation, in 2012. AB has been able to capture the quintessence of a premier financial house of the country with wide network of branches, alternative delivery channels (ATMs, SMS banking etc.) and divergent business activities. The Bank has been "the trendsetter" in the banking arena of Bangladesh as it is completing three decades of banking business-the first ever private sector bank in Bangladesh to achieve this rare feat.

It is an honor for the Board to present the audited Financial Statements of the Bank for the year ended 31 December, 2012 along with the Auditor's Report thereon. The Financial Statements of the Bank have been prepared with an eye to providing the widest possible coverage in terms of compliance with the related regulatory and financial standards and to give a fair view of the business activities in a transparent manner to our shareholders and regulators alike. All subsidiaries and other independent activities of the Bank have been given separate representation in this year's accounts.

In testimony to concerted efforts from the Board, Management and Officials of the Bank, the total asset of the Bank in 2012 reached at Tk 17,384.24 crore with a total capital base of Tk 1,462.98 crore. Profit after tax reached at Tk 143.85 crore at the end of 2012 against Tk 132.80 crore in the corresponding period of 2011 registering a 8.32 per cent growth.

Dear Shareholders

The Directors' Report and review contains a brief overview of the world economy alongside the Bangladesh economy and Banking industry scenario. The Report also deals with the Bank's overall performance and activities for 2012.

Global Economy

Four years after the onset of the global financial turmoil the recovery of global economy continues to struggle. Low growth and uncertainty in advanced economies are affecting the global economy. Developing economies are still the main driver of global growth. Output growth reduced considerably during 2012, especially in the developed countries. Continued debt servicing problem

along with job crisis in most developed economies has dragged income growth down in advanced economies, as well.

In 2012, various attendant difficulties had an adverse effect on the global economy. Unresolved aftermath of the 2008 recession caused renewed global downturn in the major developed economies. The most difficult challenges have been the continued job crisis and declining prospects for economic growth, especially in the developed countries. As unemployment remains high, at nearly 9 percent, and income stagnates, recovery is stalling in the short run because of a lack of aggregate demand. In a nutshell, the 2012 global economy has faced many headwinds with the ongoing European debt crisis, the imminent U.S. fiscal cliff, and the economic slowdown in major emerging economies.

The continuation of primary shocks with the over borrowing by private households and financial markets left a severe impact on the Euro Zone in 2012. Simmering debt crisis cast a looming threat to the recovery of world economy, causing a potential threat of renewed global financial crisis and its shockwaves are already being felt across the world. The output of the zone fell severely in the year. A reduced rate in GDP by 0.4 percent is projected in 2012. Absence of proper balance between austerity and growth is still prevailing in the zone.

Financial difficulties are also striking the USA & UK. GDP growth of US was estimated at 2.1 percent in 2012 and 1.7 percent in 2011. Uncertainty over future policy and the fiscal cliff contributed to the dampening of the US growth during 2012. So, the low growth and uncertainty of the US and Euro-advanced economies sapped the trade and financial channels of developing economies. In 2012, global growth was expected to be 3.2 percent while the average for developing countries was projected at 5.5 percent. GDP growth in Asia and the developing world is also in a downtrend caused by the softening of the growth spurt of large economies like China and India.

Global Outlook 2013

A big question is whether we are waiting for another major economic downturn in 2013 or will the world economy manage to avert such turbulence. Logically, 2013 is not going to be a comfortable year. Projections state that uncertainties in the global economy will continue. Downside risks for US growth from the fiscal cliff could cap expansion of the world's biggest economy at just 1.6 percent, in 2013. Unemployment and debt crisis of Euro zone may recover in a slow pace. Thus the low growth and uncertainty in advanced economies will perhaps affect the emerging market and developing economies, through both trade and financial channels.

-contd.

AB Bank Limited

Directors' Report 2012

Bangladesh Economy

Bangladesh in the last 42 years has seen many achievements, milestones and progresses in the socio-economic arena and now ranks 59th in terms of GDP size and 38th in terms of real growth rate globally. It is now poised to position itself as a middle income country in 2020.

Despite the challenges and uncertainties, the country has made good steady progress over the years; the real per capita income rising to \$2,000 and the country is now well set to achieve the millennium development goals. The economy today is a lot more flexible and resilient. Long term development challenges for transforming the economy to middle income level have led the government to publish the 6th Five Year Plan (FY 2011-2015) for driving the economy within a target framework of development.

Bangladesh Economy in 2012

Despite global economic slowdown, the Bangladesh economy has performed quite well over the past few years. The fallout from the Euro debt crisis still contributing to an uncertain environment, the Bangladesh economy has pursued accommodative monetary and fiscal policies.

The Bangladesh economy continues to maintain its resilient track record relative to the current global economic environment. A good number of global market analysts said they are confident that the Bangladesh economy will be among the world's fastest growing in the next decade and offers investors outstanding long-term growth opportunities.

To be specific, Bangladesh's macroeconomic indicators, over the last few years, have showed a growing trend. Macroeconomic performance in FY2012 showed a reduced GDP growth of 6.3% from 6.7% in the previous year. Agricultural growth halved to 2.5% from 5.1% in FY2011, as crop growth dropped to 0.9% from 5.7%. Higher power, fuel, and fertilizer prices and reduced area for the monsoon season rice crop have weakened performance. Industry growth was strong at 9.5%, up from 8.2% in FY2011, as manufacturing expanded by 9.8% and construction and power both turned in somewhat better performances. Domestic market-oriented small-scale manufacturing entities benefited from new tax incentives and greater access to financing. Services growth slowed slightly to 6.1%, mainly because of lower exports and imports.

Monetary policy management has been kept tight

Bangladesh Bank (BB) follows a quantitative monetary targeting framework with reserve money as the operating target and broad money as the intermediate target, using various policy tools such as the repo and reverse repo rate, repo and T-bill auctions and less frequently, statutory liquidity and cash reserve requirements, to achieve dual objectives of growth and inflation. BB had historically also been tightly managing the currency, but under the IMF program, has been more committed to a more flexible FX policy to absorb external shocks. Following the global financial crisis, BB eased monetary policy significantly in FY2010 but with rising inflation and BoP pressures, BB shifted its policy stance starting FY2011 (even before the IMF program) and maintained a tight monetary stance for a while, bringing down private sector credit growth to 16.6% at end 2012 from a peak of 29% in March-April 2011.

Revenue receipts

On average, the total revenue of the country has grown by more than 20 percent per year between FY08 and FY12, which is higher than the growth of nominal GDP by more than 6.0 percent. Given the facts that country's exports are not subject to lower any duty required and most of them are allowed duty-free raw materials, this performance of the tax revenue is commendable. The year-on-year growth rates of tax revenue are 10.80, 18.05, 27.51 and 22.06 (projected) percent during FY09, FY10, FY11 and FY12 respectively.

Apart from this, Bangladesh National Board of Revenue has introduced an online system for businesses to pay income tax, value-added tax and customs fees, which will help entrepreneurs to set up and run their businesses, allowing the government to instantly account for income.

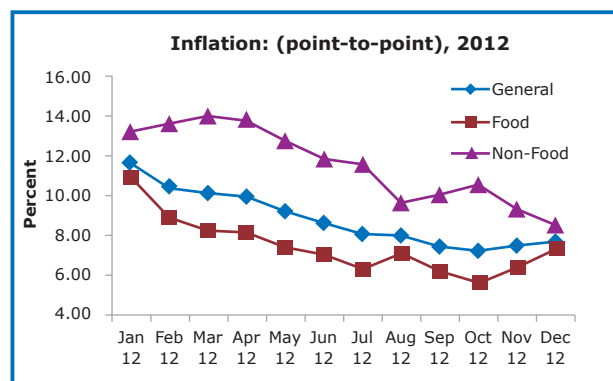
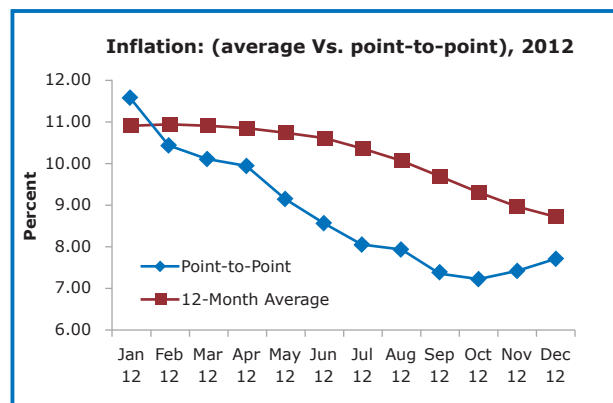
Inflation

Year 2012 started with a high general inflation of 10.91%, which decreased to 8.74% in December. Average inflation throughout the year was 10.6%. A reduced trend of food and non-food inflation mainly affected the general inflation. A measure of 'core inflation', defined as non-food, non-fuel inflation has also declined. Point to point, food inflation fell from 10.9% in January 2012 to 5.57% in October 2012 though, it has crept back again to 7.33% in December 2012. Point to point, non-food inflation declined from a peak of 13.96% in March 2012 to 8.43% in December 2012 and average non-food inflation followed this trend with a lag having peaked in October 2012 at 11.81% and gradually falling to 11.45% in December 2012.

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AB Bank Limited Directors' Report 2012

Based on current trends the FY13 CPI average inflation target of 7.5% announced in the FY13 Budget appears achievable, though risks remain.



Remittance

Remittances, the lifeline of Bangladesh economy, have been buoyed by larger numbers of Bangladeshi workers moving abroad over the past year with significant growth coming from destinations such as Oman (55% growth in 2012), UAE (26%) and Saudi Arabia (16%). H1FY13 remittance growth of 22% is much higher than the remittance growth of 10.3% in FY12 and 6% growth in FY11. Even accounting for the fact that this remittance growth is likely to be more moderate in H2FY13 in light of recent slowing of workers moving abroad, we still project 15% remittance growth for FY13. We project a current account surplus of USD 1.1 billion for FY13.

Foreign aid disbursement and foreign investments

Foreign aid disbursements and foreign investment in H1FY13 are significantly higher than the previous year. Total aid disbursement between July and November 2012 was USD 906 million, which is 107% higher, than the corresponding period the previous year. Foreign investment between July-November 2012 was USD 650

million compared to USD 583 million during the same period the previous year. In addition, government approvals for local corporate term loans from foreign sources increased in 2012 with USD 1.49 billion approved compared with USD 818 million in 2011 and USD 302 million in 2010.

External Balance

The overall external balance has improved. Export growth in FY12 remained in positive territory with 7% growth in December 2012. The import slowdown was partly due to the fact that food grain and consumer goods imports was almost USD 890 million less between July-November 2012 compared to the same period in FY11, due to existing high food stocks and excellent domestic harvests. However, the picture for imported inputs required for manufacturing growth is of some concern as discussed in the section on output growth.

Reserves

Gross foreign reserves were around USD 12.8 billion in end December 2012, equivalent to about 4.0 months of import cover. The Taka: USD exchange rate has not only remained largely stable but in fact have appreciated by 2.6% between July 1-December 31. Pro-active steps to secure alternative sources of external financing for oil imports, lower import demand, especially for food-grains combined with strong remittance growth all contributed to this strengthened external position.

Sovereign Rating

Based on the Bangladesh's strong & stable growth supports with the recovered macroeconomic stability through surplus of current account balances and by the declined trend of inflation in 2012, two foremost rating company S&P and Moody fixed the country's outlook "Stable".

| Rated by | Rating | Outlook |
|--------------------------|--------|---------|
| S & P- Standard & Poor's | BB- | Stable |
| Moody | Ba3 | Stable |

For rating of upcoming years, it is mandatory to keep labor oriented industry sound & safe, infrastructural development and investment friendly environment is also necessary as well to maintain the stable rating position.

Capital Market

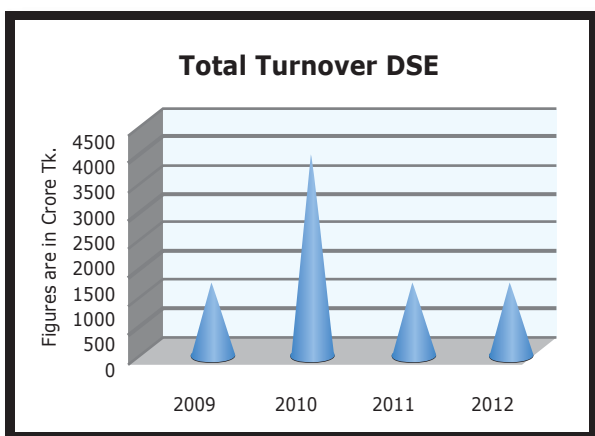
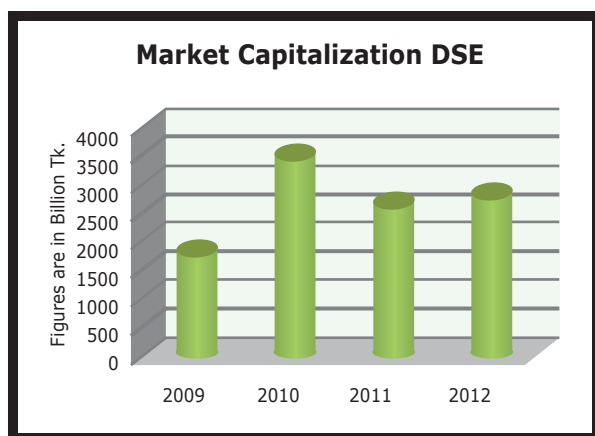
Continued erosion, wiping out of market capitalization, drastic decrease of share value, investors' confidence

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AB Bank Limited Directors' Report 2012

rued the stock market again in 2012. Market stability again came as a big question, as several regulatory steps have had little or no impact.

| Particulars | DSE | | CSE | |
|---|-------|-------|--------|--------|
| | 2012 | 2011 | 2012 | 2011 |
| General Index | 4,219 | 5,258 | 12,855 | 14,880 |
| Total Market Capital (BDT in Billion) | 2,835 | 2,639 | 1,784 | 1,950 |
| Total Turnover (BDT in Billion) | 1,083 | 1,456 | 117 | 186 |
| Total Listed Securities | 515 | 501 | 255 | 242 |
| Total Listed Companies | 242 | 232 | 211 | 201 |
| IPO (No. of Securities) | 10 | 12 | 10 | 12 |
| Total Paid up Capital of IPO (BDT in Billion) | 7.14 | 15.38 | 7.14 | 15.38 |
| Mutual funds floated (No of fund) | 4 | 6 | 4 | 6 |



In 2012, several steps have been taken by regulators to stabilize the market. Introduced two new indices, namely DSE 30 Index (DS30) and DSE Broad Index (DSEX), started MSA Plus (State-of-the-Art technology) a web based trading application, restructured capital structure by mandating 30% holding of stocks by the Board of

Directors to ensure proper corporate governance, holding 30% stocks is mandatory for Sponsors/Directors etc. We are expecting a stabilized capital market soon from the cumulative effect of so many positive initiatives, taken by the BSEC along with Bangladesh Bank and other regulators.

Bangladesh Outlook 2013

While BB forecasts that GDP growth in FY13 will be in line with the previous ten years average, it is likely to fall short of the 7.2% target set in the FY13 Budget. The investment required for output growth beyond 7% is unlikely to materialize in FY13 due primarily to the sluggish global economy and infrastructure gaps. Country expects agricultural output targets to be met and our projected agricultural growth at 3.5-3.75% will be higher than FY12. Domestic demand will on one hand be fueled by higher worker remittance inflows, while on the other hand it will be counter-balanced by more subdued rural consumer demand due to lower rice prices. Export growth is expected to be similar to that achieved in FY12 mainly in light of the Eurozone crisis.

The export-oriented RMG sector has made crucial contribution to the Bangladesh economy and is likely to grow more in 2013, if current wage, right and compliances related issues are positively dealt with. The projection for industrial sector growth set at between 7.25-7.50% in FY13, in line with historical averages, but less than the 9.5% in FY12. This slowdown is also reflected in the breakdown of import data. While there is positive growth in capital machinery imports between July-November 2012 of 2.5% compared to a year earlier, there was a 5.2% decline in industrial raw materials, 3.2% decline in intermediate goods imports and 1.6% decline in machinery for miscellaneous industries.

Banking Industry in 2012 and the outlook for 2013

Overall Banking Industry in 2012 was not quite good enough. Major challenge of the year was to maintain the asset quality for all of the banks as central Bank adopted loan-loss provisioning requirement on a stricter tone. As a result, at the end of the year, industry as a whole required to maintain a higher loan-loss provision. On the other hand, as the capital market continued in a bearish trend, it was very hard to take profit from portfolio investment for most of the commercial Banks. Reported financial scams and money swindling activities by multilevel marketing companies sapped the investors'

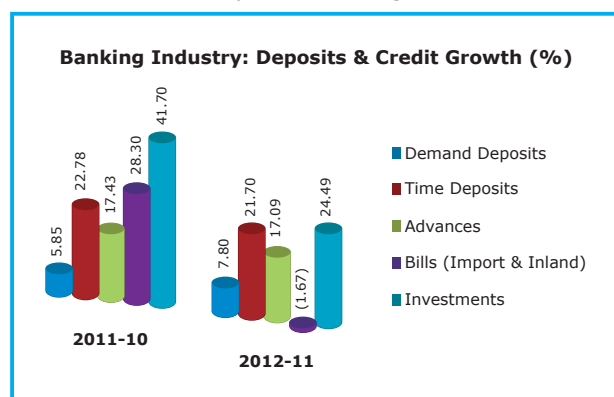
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AB Bank Limited Directors' Report 2012

confidence. All these variables, as a cumulative effect, have made a downtrend in operating profit for most of the banks. The industry growth of previous two years is given below:

| Tk./Million | December 2012 | December 2011 | December 2010 |
|--------------------------------|------------------|------------------|------------------|
| Deposits held in DMBs | | | |
| Demand Deposits* | 533,858 | 495,241 | 467,776 |
| Time Deposits* | 4,472,969 | 3,675,406 | 2,993,601 |
| Total | 5,006,827 | 4,170,647 | 3,461,377 |
| Bank Credit | | | |
| Advances | 4,161,797 | 3,554,293 | 3,019,065 |
| Bills (Import & Inlands Bills) | 224,360 | 228,178 | 177,854 |
| Investments | 1,061,150 | 852,376 | 601,520 |
| Total | 5,447,307 | 4,634,847 | 3,798,439 |

* Excludes Inter-bank Deposits and Government Deposits.
Source: Statistics Department, Bangladesh Bank.



2013 would be another challenging year. Prior challenges of maintaining asset quality and the regulatory capital maintenance will be harder. Inclusion of some new banks in the industry will make market more competitive, challenging and business growth rather difficult.

AB's Business in 2012

In the light of various challenges posed by the local and global economic instability, the primary focus of the year 2012 was to sustain a reasonable growth. The principal aim of the bank has been to attain new clients besides retaining the old ones despite the emergence of new competitors in the market. Therefore, the Bank has formulated and implemented strategies to modify the current products for further development. Loan disbursement and deposit mobilization has also been a vital concern of the bank for the year. Overall, the business objective had been to make the products offered by the bank, more accessible to a greater number and genre of clients. The bank intends to continuously

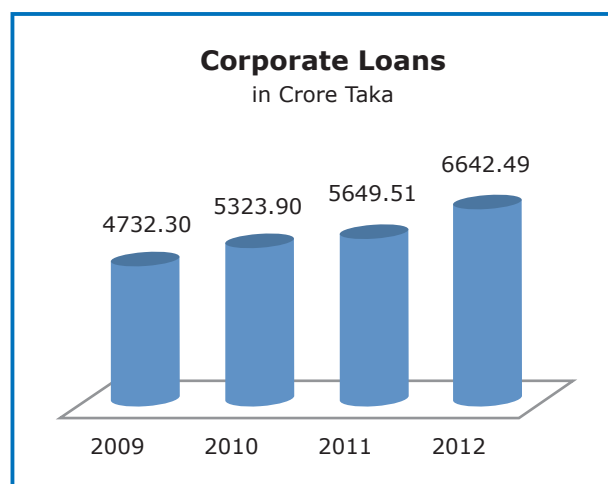
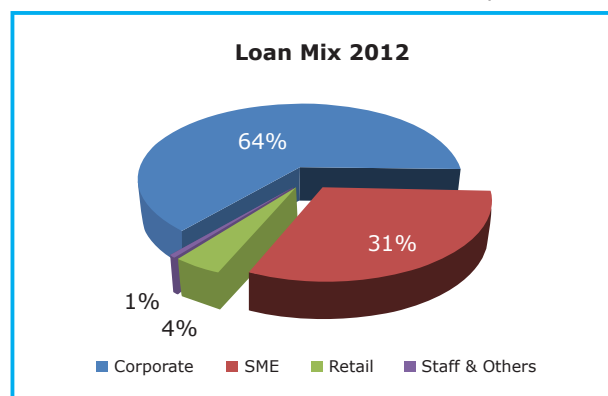
serve its clients in the best possible way.

At the end of the year 2012, performance in terms of major business drivers of the core banking business were as follows:

| Tk./Crore | Growth in 2012 | Year 2012 | Year 2011 |
|----------------|----------------|-----------|-----------|
| Deposit | 21% | 14,002 | 11,615 |
| Loan | 12% | 10,606 | 9,464 |
| Import | 26% | 10,037 | 7,946 |
| Export | 14% | 6,578 | 5,759 |
| Guarantee | (2%) | 1,320 | 1,352 |
| Remittance USD | (13%) | 22 | 25 |

Corporate Business

AB Bank offers a full array of Financial Services to Corporate houses and Institutions. Corporate & Structured Finance Division, a strategic business unit, has been striving on to provide concerted efforts and intimate care to this major revenue generating source. Corporate Loans currently represent 64.51% of total credit portfolio of the Bank covering wide range of industrial and business houses of the country.



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AB Bank Limited Directors' Report 2012

Corporate Loans has experienced growth of 17.58% over 2011 whereas growth of SME segment was 5.13%.

In view of complexities and intricacies of corporate financing, Bank maintains close relationship with the clients to provide customized products & services including Working capital facilities, Trade Finance, Post Import Finance etc. The division also provides Loan & Equity Syndication, Corporate Advisory services and Structured Trade solutions through Structured Finance.



Interfab Shirts Manufacturing Limited, a sister concern of ViyellaTex Group, financed by Uttara Branch; AB Bank Limited



Refrigerator & Freezer Unit project of Walton Hi-Tech Industries Limited, financed by North South Road Branch; AB Bank Limited



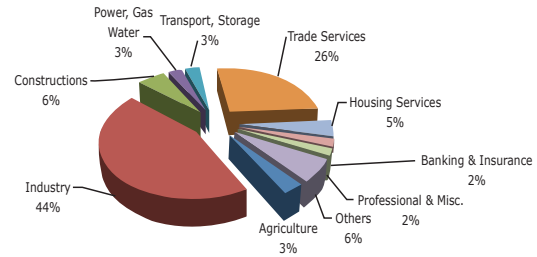
'Grona Ammersum & Grona Biessun' project of Western Marine Shipyard, financed by Agrabad Branch; AB Bank Limited



Chittagong Waste Treatment Plants Limited, financed by EPZ Branch; AB Bank Limited

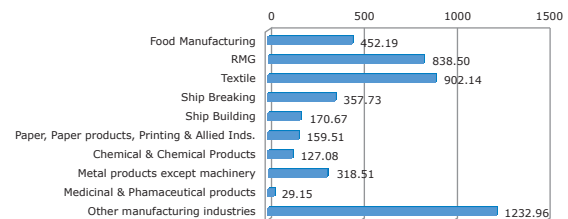
With slow revival of economy, AB Bank has been following growth strategy for corporate portfolio with robust presence in Manufacturing particularly in RMG, Textiles, Food as well as Steel & Trading. Steel, Ship building, Ship scrapping, Real estate, Pharmaceuticals, Telecommunication, Power etc. has been other areas of interest for corporate business.

Sectoral Exposure 2012



Industrial Loan Mix-2012

In Crore Taka



In respect of Syndication loan, Bank was mandated as Lead Arranger in one venture in the Power Sector. The Bank also participated as Member in four syndication ventures.

AB Retail

Alternative Delivery Channels:

Nearly three decades of service with a wide range of products blended with latest technology, AB Bank Limited is poised to steer e-Banking with 86 Branches and 231 ATMs under Cashlink Bangladesh Limited (CBL) network, located at urban and rural areas around the country. To ensure seamless service, ABBL has invested an extensive

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AB Bank Limited Directors' Report 2012

amount in mounting its e-Banking infrastructure. AB Bank Limited used latest NCR branded ATMs throughout the country with 24X7 video vigilances on these ATM Booths. ABBL customers can avail the services like: Cash Withdrawal, Balance Inquiry, PIN Change and Mini statement. Customers of other Banks can enjoy the ABBL ATM facilities.

AB Bank has introduced the first ever embossed Visa Debit Card in the country with two different flavors- Visa Debit Silver for Elite Customers and Visa Debit White for regular customers. These cards are accepted at more than 4,000 retail outlets through Visa POS Terminals across the country.

AB Bank is planning to expand the network with 300 ATMs in 2013. The Bank will also introduce Credit Cards in 2013.

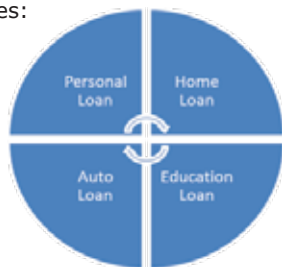
With the accelerated and thriving growth of mobile phones and to penetrate a large un-banked population in Banking, Bank has introduced SMS Banking. Through this channel AB Bank customers can avail services like-Balance Inquiry, Mini Statement, PIN Change, Fund Transfer, Mobile Top Up and Mobile Bill Payment respectively.

ABBL has established a call center where the ABBL customers can get the prompt answers of any Banking related queries. Setup of Interactive Voice Response (IVR) in the Call Center is one of the priorities for AB Bank in the near future.

- Consumer Banking

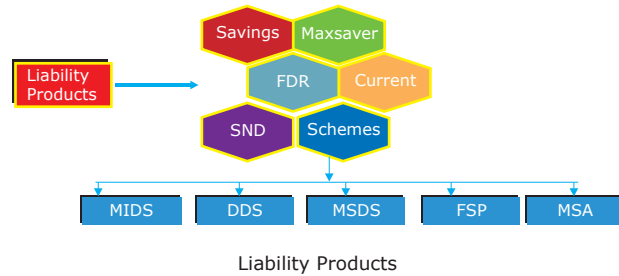
Consumer Banking Division was set up with a view to increase the customers' reach in terms of product and services in terms of both asset and liability. The portfolio under consumer credit was Tk. 399 crore which is Tk. 42 crore higher than the previous year 2011. The growth, however, was in line with Bangladesh Bank guidelines. Asset Products

The Asset products are divided into the following four broad categories:



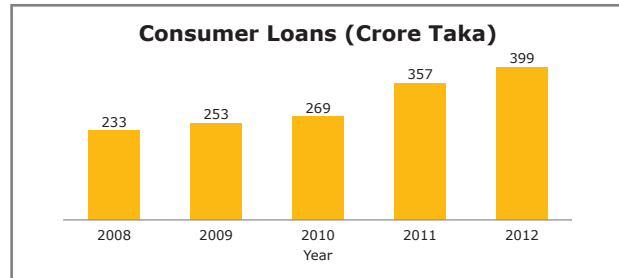
Consumer Asset Products

- Liability Products



Asset Performance in 2012

Total outstanding in CCS Loans as of December 2012 is Tk. 399 crore which is 3.87% of the total LDOs of the Bank.



Liability Performance in 2012

In the year 2012, the volume of liability products was Tk. 2337 crore higher compared to that of 2011 which is considered as inspiring performance, from Tk.10,987.14 crore to Tk. 13,324.39 crore. The following chart shows the increase in amount of liability products in 2012:



Establishment of Consumer Banking Center & Their Performance

Consumer Banking Center was set up at 17 different branches strategically located at three regions- Dhaka, Chittagong & Khulna. In 2012 total no. of accounts booked through these 17 centers were 4287 and total deposit procured was Tk. 434 crore.

- SME Business

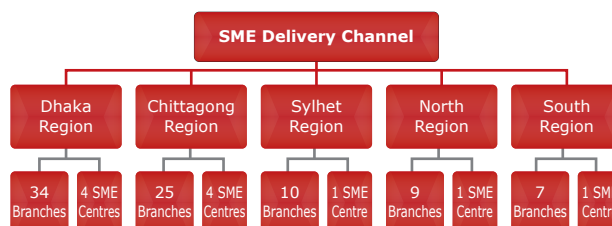
Small and Medium Enterprises (SMEs) are playing increasingly important role as engines of economic

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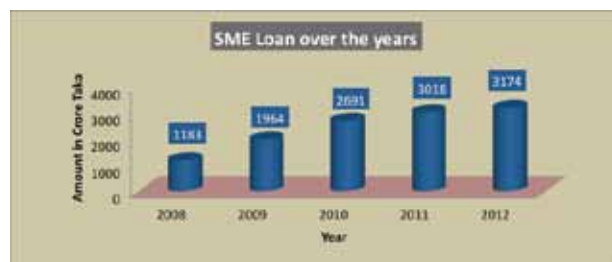
AB Bank Limited Directors' Report 2012

growth of Bangladesh. There is a broad consensus that a vibrant SME sector is one of the principal driving forces in the development of the economy of Bangladesh. SMEs stipulate private ownership and entrepreneurial skills and can adapt quickly to changing market situation, generate employment, help diversify economic activities and make significant contribution to exports and trade. Keeping pace with the ongoing progressive changes in SME sector in Bangladesh, AB has been relentlessly serving the entrepreneurs establishing a separate division named "SME Banking Division" since 2008 to give emphasis on SME financing, to ensure regulation, supervision and monitoring of SME's. SME Division is the focal point of all SME related issues, programs and projects and responsible for providing best financial solution to its customers. Management's strong commitment towards SME Banking, appropriate policy guideline, customized products for customers, consolidated database, compliance culture lead the SME Division to further higher platform of SME Banking in the country. AB's SME consecutively stood 4th among the Banks operating in the country-in terms of SME Loan Disbursement in 2012.

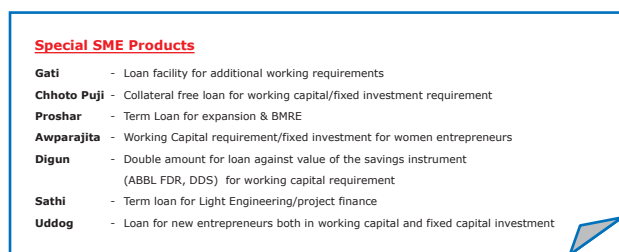
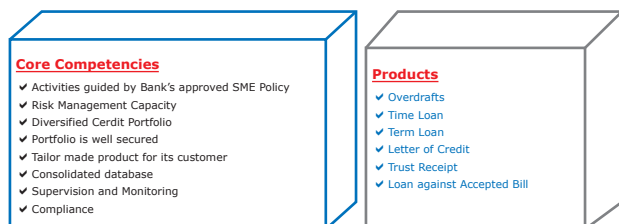
queries and complaints of the customers. A good number of sales persons are working in the SME Centers. The main objective of the SME Centers is to take the banking services and products to SME's doorsteps, provide advisory service with the view of strengthening financial inclusion and searching new entrepreneurs.



AB's SME Business has been growing substantially and contributed 30.82% of its total loan portfolio as on December 2012.

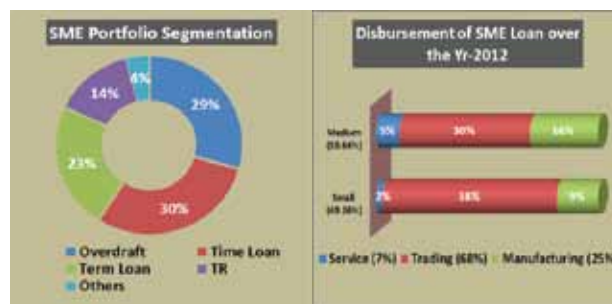


Financing Small Enterprise sector is one of the targets of AB SME and is maintaining 43% of SME portfolio in this sector. AB provided 29.82% of SME Loans to Manufacturing sector with a long-term view to employment generation for teeming millions and poverty alleviation.



- Coverage

AB Bank operates SME programs through its 86 branches and 11 SME Centers across the country. "SME Desks" and "Women Entrepreneurs Dedicated Desks" have been established in every branch. Regional Focal Person has also appointed to ensure proper services and handle



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AB Bank Limited Directors' Report 2012

- Loans to Women Entrepreneurs

AB prioritizes its lending to Women Entrepreneurs. A specialized SME Loan Product named "Awparajita" is developed to cater them. As of December 31, 2012, the outstanding amount of Loans & Advances extended to Women Entrepreneurs was Taka 103.39 Crore which is 3.25% of Total SME Loans.



Women entrepreneurs working on Monipuri Tant, financed by Sreemongal Branch; AB Bank Limited



Rupali Bangla Jute Mills Limited, financed by Dinajpur Branch; AB Bank Limited

- AB in Agricultural and Rural Credit/financing

AB has endured presence in Agriculture and Rural Credit. The financing are fundamentally in Crop, Fisheries, Solar Energy, Bio-gas, ETP, Livestock areas. To patronize crop lending, AB signed agreements with different micro-finance institutions and arranged "Open Agriculture and Rural Credit Distribution" event at different regions. AB also disbursed Agricultural Credit at

concessional interest rate for the purpose of cultivation of pulses, oil, seeds, spices and maize during this year.

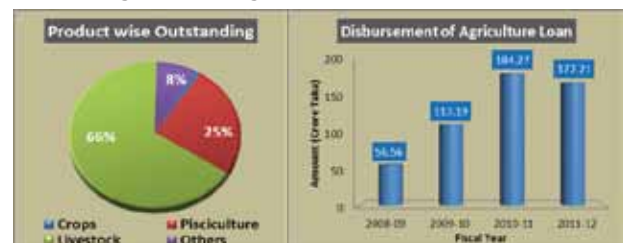


Agriculture Loan Disbursement Program at Jessore.



Agriculture Loan Disbursement Program at Sirajganj.

AB has been successfully achieving the annual target as set by the central bank since 2011 and being appreciated by the respective department of Bangladesh Bank for the resounding success target.



Pic-1: Protein House Limited, financed by Board Bazar Branch; AB Bank Limited. Pic-2: Kazi Khamar, financed by Kushtia Branch; AB Bank Limited



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AB Bank Limited

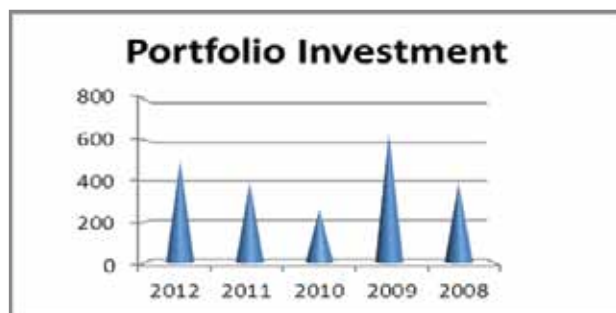
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SME Priorities in 2013

- Give emphasis on Service & Manufacturing sectors; priority sector based lending
- Grow selective based on geography, historic trends and market potential
- Focus on Rural Branch for SME & Agri Business
- Focus on trade finance and non-funded business
- Continue focusing on branch and customer- intensive monitoring & follow-up through dedicated Business Team
- Organize staff training and development
- Launching special SME Business Products

Investment Banking Division (IBD) was established to "formalize" the capital market operations of the Bank under "One Umbrella" in the year 2006. With the formation of the two subsidiaries viz AB Investment Ltd. (ABIL) and AB Securities Ltd. (ABSL), role of IBD has been transformed into a "Strategic Unit" and also a "Functional Unit" to deal with business which will be centrally driven. Accordingly, Custodian Unit continues to operate under IBD. IBD is also entrusted with the operation of the Portfolio Investment of the Bank. At the same time, IBD will continue to provide one-stop service to NRB's and Foreign Investors interested to invest in Capital Market here. In its destined role of strategic support, IBD shall be the platform for co-ordination for Capital market subsidiaries of AB besides being the vehicle for strategic investment of the Bank in future.

AB's last five years portfolio Investments (Quoted shares) are shown below:



- AB Bank 1st Mutual Fund

Bank approved participation as a Sponsor in the "AB Bank 1st Mutual Fund" to the tune of Taka 30 (thirty) crore having fund size of Taka 150 crore.

| | |
|-------------------------|--|
| Name of the Mutual Fund | AB Bank 1st Mutual Fund |
| Fund Duration | Closed End Mutual Fund, with Fund Life of 10 years |
| Fund Size | BDT 150 crore |
| Fund Capital Structure | Sponsor 20%, Pre- IPO Placement 30%, Public 50% |
| Face Value | BDT 10/unit |
| Lot Size | 500 unit |

The fund has been listed with Dhaka Stock Exchange and Chittagong Stock Exchange on January 29, 2012.

On the close of operation on December 31, 2012 the Fund has reported Net Asset Value (NAV) of Tk. 10.91 per unit on the basis of current market price and Tk. 10.74 per unit on the basis of cost price against face value of Tk. 10.00 whereas total Net Assets of the Fund stood at Tk. 1,636.50 million on the basis of market price and Tk. 1,611.00 million on the basis of cost price after considering all assets and liabilities of the Fund.

Internal Control & Compliance Division (ICCD)

includes three fold functions viz. Internal Audit, Monitoring and Compliance. ICCD conducts Risk Based Audit and Annual Audit of the Branches. Audit of Head Office Divisions also come under ICCD. ICCD monitors compliance of Internal as well as Bangladesh Bank Audit Reports including Bangladesh Bank Special Audit Reports on Core Risks. Besides, Special Audit on some specific issues like year-end Cash Position, Security Stock verification etc. are also done.

- Internal Audit in 2012 completed:

| | |
|------------------------------|--|
| Risk Based Audit of Branches | : 85 Branches (including Mumbai Branch) |
| Annual Audit of Branches | : 85 Branches (including Mumbai Branch) |
| Special Investigation | : 20 Numbers |

Off-shore Banking Unit (OBU): Bank received the permission from Bangladesh Bank to operate an Off-shore Banking Unit at EPZ Branch in Chittagong in December 2009. Subsequently, AB's Off-shore banking Unit commenced its operation from April, 2010. Given below is the highlight of the business performance of the OBU wing of the Bank for the financial year 2012:

| Particulars | Amount in Lac | |
|------------------------|---------------|--------------|
| | 2012 Taka | 2011 Taka |
| Profit after Tax (PAT) | 202.47 | 212.15 |
| Deposits | 56.13 | 239.25 |
| Loans and Advances | 6,476.60 | 5,198.23 |
| Total Assets | 6,586.10 | 5,228.30 |

- Primary Dealership: Bangladesh Bank gave approval to AB as Primary Dealer (PD) in December 2009 aiming to boost the country's secondary securities market. Inclusion of AB as PD is part of the latest move to increase the number of market makers to bring dynamism in the secondary securities market.

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AB Bank Limited Directors' Report 2012

Operations Division of the Bank continued with taking forward different initiatives planned for the year. Network expansion, refurbished branding, enhancement of facilities, systems and process improvisation, development of compliance culture and improvement of customer service remained priority notable initiatives.

- Bank Cash Management System: Improvement of operational efficiency
- Cash related insurance policies: coherent approach through master arrangements in identified areas
- Automation of Excise Duty collection process
- Reinvigorating the Locker operations
- Further enhancing the coverage of Bangladesh Automated Clearing House (BACH) in Sylhet, Chittagong, Rajshahi, Barisal, Khulna, Rangpur, Bogra, Narayangonj and Pagla

- Branch Network Expansion

AB intends to have its thriving presence in every district of the country in phases. Acquisition of land is strengthened the Bank's capacity for conducting operation from own premises with much more flexibility to provide service consequently, we have opened Habiganj branch in Bank purchased land.

- Bangladesh Automated Clearing House (BACH) Activities in AB

A modern national clearing house payment system is the backbone for a country's monetary and financial infrastructure. An advanced payment system plays a critical role in the country's current and future economic development. For ensuring smooth, safe and faster operation of clearing, the following changes have been made in 2012.

- In this year AB Bank has fully centralized the Inward Clearing operation at Head Office and closed all zonal units. After centralization, all Inward Clearing instruments are processed from single point and no dependences stand on branches.
- AB Bank has also decentralized the Outward Clearing Cheque processing system to the branches to provide maximum facility to our customer's. After decentralization, customers are getting same day clearing facility.
- As recommended by Central Bank, AB Bank has also trained 200 officials for smooth operation of Bangladesh Automated Clearing House (BACH) to the bank.

- Anti-Money Laundering (AML) Activities

AB Bank's Anti Money Laundering (AML) & Combating Financing of Terrorism (CFT) revised Policy 2012 is

prepared in line with AML Act & Anti Terrorisms (amendment) Act, 2012. The Policy was approved by the board of directors in its 519th meeting held on February 17, 2013. It is compliance of BFIU, Bangladesh Bank to revise/update the Policy time to time. The revised Policies also include changes as advised by BFIU, Bangladesh Bank through various circulars issued from time to time & FATF recommendation 2012. The Bank regularly organizes AML & CFT- related workshops and training courses.

The Bank has already implemented AML software in Mumbai Branch, India, to fulfill the requirement of Reserve Bank of India. The AML software for Bangladesh operation is under implementation.

To see the implementation status of AML policy, CCU Head office started visiting branches from January 2012 by forming a visiting team to observe whether the rules and procedures on AML/CFT policy are being practically applied by the branches.

The Bank has fulfilled all requirement as desired by Bangladesh Bank time to time during 2012.

IT Division

AB Bank IT Division is taking forward the horizon of AB through rolling out initiatives, upgradations, system consolidations among others and providing a platform for facilitating best possible customer service along with enablement for execution of strategic business needs.

The rapidly evolving banking needs have also led AB to give increased focus on information technology-dependent products and solutions by adapting to state of the art technology platform.

Primary objective of the automation strategy is to optimize the business processes to reach customer in real time with their preferred banking channels and provide value innovation to achieve optimum customer experience.

Major IT Division initiatives in 2012 includes among others:

- Implementation of BEFTN to integrate with Bangladesh Bank driven project for facilitating bank wide electronic fund transfer
- Roll-out of BACH coverage to all ABBL branches.
- iSeries upgrade and consolidation: hardware capacity enhancement initiative
- ALM (Asset Liability Management) software roll-out in Mumbai Branch, India to automate all aspect of ALM along with RBI Returns
- Implementation of Middleware to aggregate all channels with CBS

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AB Bank Limited Directors' Report 2012

- Phase wise implementation of Cloud Infrastructure: The Always On, On-Demand Datacenter
- CheckPoint implementation, Core Firewall for PCI DSS Compliance
- Mail Server Microsoft Exchange 2010 with High Availability (HA)
- Renewal of Microsoft Enterprise Agreement with Microsoft
- Strengthening HR System and Practice.
- Team Building: Awareness of our competitive advantage, working with teams from different background as AB Family.
- Talent Management – The AB Way Program: Supporting the best talents as a mean of expanding the business.
- As a business partner, to create a sense of accountability among the AB employees, we provide opportunity to them based on a shared commitment to devote their talents to benefitting the business and to develop the own.

Human Resources Management (HRM)

The HR Division of AB Bank Limited is moving forward with a vision of converting human resources into human capital through the processes of providing appropriate knowledge, skills, abilities and personal attribution. As people become the key competitive advantage in any industry especially banking, the Human Resource (HR) development function will and should play a more holistic role in the era of fierce competition within this sector. AB Bank Limited thrives to provide competitive pay & allowance package, contemporary HR policies, learning environment and congenial working atmosphere where employees enjoy working with pride as we believe that plays the pivotal role behind the success stories and sustainable growth. The level of dedication, professionalism, winning spirit and drive to achieve, are the most significant factors toward the success of the Bank which is remarked over the last glorious 31 (thirty one) years of our victorious presence in the banking industry. AB's HR strategy is focused at ensuring sustainable growth through steady and stable value creation for all the stakeholders including the employees.

By developing and strengthening the core competencies of our human capital, valuing their unique perceptions and enabling them to contribute positively to our success, ABBL helps them to fulfill their latent talent. As a reciprocal process and commitment towards the Bank, our employees deliver their best performance and service to the customers and stakeholders. Thus, working with ABBL is like a passion for its Human Resources.

The HR Division of ABBL provides relentless efforts and guidelines in each stage of "Career Life Cycle" of the employees starting from hire to retire. The Division has proficiently aligned its core HR functions i.e., recruitment, compensation, separation, discipline, training & development and organization development in line with the business strategies of the Bank.

- Human Resource Strategies

- Fostering High Performance work culture by effective Performance Management System & Job Description, constant focus on serving the customers in each every horizon.

- Employee Motivation through Reward and Recognition (Promotion, Increment, Incentives etc.) on the basis of Performance, Employee Engagement Events, skill and competency development.
- Manpower Planning through right-sizing and Assessment Strategy aligned with mission, goals, and organizational objectives and integrated into its strategic plans, performance plans, and budgets.

- Workforce Diversity

At the end of year 2012, the total manpower of ABBL was 2,070 (Two Thousand and Seventy) worked in 86 (eighty six) branches and different divisions at Head Office and 01 (one) overseas branch at Mumbai, India. The bank strongly encourages and facilitates the females to take part in workforce and to take leadership.

Total Workforce by Age Group:

| Age Group | 2010 | 2011 | 2012 |
|----------------|-------|-------|-------|
| Above 55 Years | 92 | 82 | 72 |
| 45-55 Years | 455 | 450 | 438 |
| 35-45 Years | 768 | 766 | 755 |
| 25-35 Years | 693 | 795 | 796 |
| Below 25 Years | - | 03 | 09 |
| Total | 2,008 | 2,096 | 2,070 |

- Recruitment and Selection

The Recruitment and Selection process of AB Bank Limited is dynamic and transparent and always focused on attracting the high potential individuals. The Bank employs highly distinguished consultancy firm to professionally conduct the assessment of fast tracker recruitment at the entry level. The fast trackers are the Management Trainees (MTs) who are groomed and nurtured to take over the future leadership position. Bank also recruits fresh graduates to perform the jobs of basic operational level in the capacity of Trainee Officers (TOs). Besides, Bank is focused on recruiting the proven leaders as lateral entrants. AB also participates in job fairs at reputed academic institutions as part of employer branding.

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AB Bank Limited Directors' Report 2012

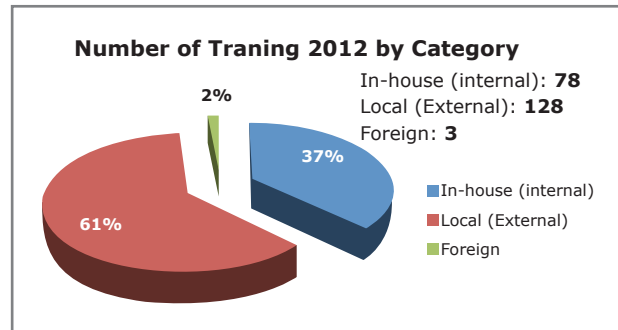
- AB Bank Training Academy: A House that Facilitates Learning

Learning and development of employees always remain the highest priorities at AB. All the employees of AB go through rigorous learning process (both on-the-job and formal training courses) to enable perform up to the potential. MTs who join AB, attend "Induction Program" at the very beginning of joining. Subsequently, Foundation Training through BIBM, other trainings through AB Bank Training Academy, Career Counseling Session, On-the-job training through job rotation, foreign visit and exposures are provided to MTs to help them reach maximum potential and grow with the organization. Other than MTs; TOs and lateral entrants also receive frequent work related trainings arranged internally and externally (including foreign).



Training at AB is coordinated through AB Bank Training Academy. Training Academy is aimed at enhancing the employees' job related knowledge, skills and managerial competencies. Each year, the Bank invests significantly on employee development and training both at home and abroad. During 2012, a total of 3,673 participants attended in 209 trainings courses.

| Training Organized | Participants 2010 | Participants 2011 | Participants 2012 |
|---------------------|-------------------|-------------------|-------------------|
| In-house (internal) | 2867 | 3172 | 3317 |
| Local (External) | 151 | 213 | 343 |
| Foreign | 79 | 11 | 13 |
| Total | 3097 | 3396 | 3673 |



Treasury Functions

AB Bank Treasury is an integrated unit managing the Liquidity, Interest rate and Foreign Exchange Risks. The Treasury of the Bank is engaged in day to day Fund Management. It also invests in Govt. Securities to meet the regulatory compliance. To manage the fund this unit deals in Inter-bank in line with the policies and guidelines framed by Bangladesh Bank. As a Primary Dealer, Govt. Securities devolved by Bangladesh Bank on AB is managed by this division. Treasury division is broadly divided into ALM and Foreign Exchange desk. Treasury Operations primarily maintain the statutory requirements. Prudent Money Market and Foreign Exchange Operations however contribute significant interest and exchange earnings.

Year 2012 was a challenging year of Treasury in terms of managing FX Risk, Interest Rate Risk and Liquidity Risk of the Bank. Up to August 2012, the Inter-bank money market was very volatile.

To ease the liquidity situation Bangladesh Bank has taken the following steps:

- Increased the Repo & Reverse Repo rates by 50 basis point. In 2012, repo rate was 7.75% and Reverse Repo was 5.75%.
- To ease the liquidity pressure on PD banks, Bangladesh Bank introduced re-measured facility and re-fixed HTM and HFT securities ratio as 85:15
- In 2012, Bangladesh Bank introduced online trading platform naming "TCS Market Infrastructure (MI Module)" containing Trader Work Station (TWS) for smooth operation of Govt. securities trading and to create a dynamic secondary market.

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AB Bank Limited

Directors' Report 2012

In the year 2012, there was no CRR/SLR short fall and no breach of Net Open Position (NOP) limit though the market was too volatile. Treasury successfully used all types of money market and foreign exchange instruments to efficiently manage the funds to ensure optimum Balance Sheet spread.

Financial Institutions Unit

FI marketing team facilitated trade business on behalf of the AB Bank Mumbai branch and AB International Finance Limited (ABIFL), Hong Kong. FI Marketing is primarily engaged in harnessing Reimbursement Authorities / Payment Instructions and scouting of LC advising from different commercial Banks for Mumbai Branch. For ABIFL this marketing team procured foreign trade related business like advising LCs, confirmation of LCs and discounting of bills. AB holds the major share in this line of business.

- International Trade

International Trade has significant value addition to AB's Business profile. In 2012, Both Import and Export business experienced growth compared to previous year.

Import Business reached Taka 10,037 crore which was Taka 7,946 crore in 2011. Import portfolio of AB covers areas like scrap vessels, food items, chemicals, medicines, textiles, capital machineries etc. Total Import growth was 26% in the year 2012.

Total Export growth of AB was 14% in the year 2012 compared to the previous year. Total Export reached Taka 6,578 crore at the end of the year which was Taka 5,759 crore in 2011. Export business was concentrated in frozen fish, readymade garments, knitwear and other indigenous products.

AB's Foreign correspondent relationship covers most of the important financial centers and financial institutions. About 425 correspondents comprises correspondent banking platform of the Bank facilitating its expanding international trade business and customer service.

- Remittance Initiative

AB strengthened the existing remittance relationship with various exchange houses in 2012. AB is focusing on enhanced customer services through the existing Branches. Dedicated "Remittance Hub" centrally located at Head Office backed by advanced technology platform helped expanding the Bank's service to the doorstep of the customers. Corporate clients of AB remained another major source of foreign currency. Bank is also trying to broaden its base through solicitation of indigenous export clients. Total remittance at the end of the year stood at USD 211.48 million in 2012 as against USD 226 million in 2011.

- Foreign Investments

AB expanded its wings in international banking arena in 2010 through acquisition of 15 percent Equity investment in Amana Bank Limited (ABL) in Srilanka's 1st Islamic Bank. Total worth of investment is Taka 42.18 crore equivalents to USD 6.06 million. Earlier BB cleared the investment proposition on 13th June, 2010. The Monetary Board of the Central Bank of Srilanka has conferred a commercial banking license in favour of the ABL recently. Major stakeholders of the Bank includes Bank Islam Malaysia Berhad, Islamic Development Bank, Saudi Arabia besides AB Bank Ltd.

AB Exchange (UK) Limited, London, UK, a 100% owned subsidiary of AB Bank Limited has commenced its operation with effect from 31.05.2011. AB Exchange (UK) Limited is engaged in Remittance Business and facilitate expatriate Bangladeshis residing in UK to send their remittances through official channel in a secured, reliable and expedient manner.

In addition to 86 branches of ABBL, Bangladesh, designated branches of BURO Bangladesh and designated CCPs of Pacific Bangladesh Telecom Limited are acting as distribution channel of ABEL.

Overseas operations

- Mumbai Branch, AB Bank, India

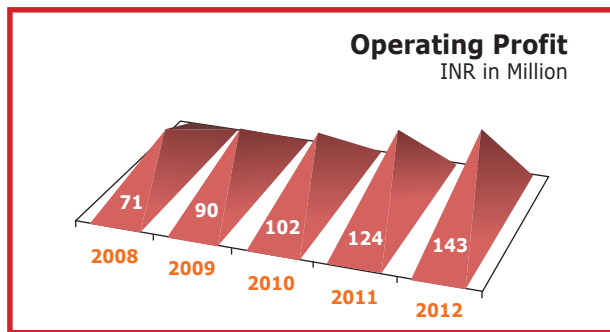
AB Bank Limited, Mumbai Branch is the only Bangladeshi Bank based in Mumbai which caters Indo-Bangla trade. The Branch was established in the year 1996 and since inception, in addition to corporate banking services, it is engaged in handling LCs and documents arising out of exports from India to Bangladesh. The Branch also adds confirmation, negotiate and discount documents. Mumbai Branch is connected to AB's central network system to provide an advanced technology platform for the Branch's operations. Branch's Operating Profit at the year-end 2012 was INR 142.76 million registering a growth of 15.35 %.

Major KPIs of the Branch in 2012

| Basel II | 2012 | 2011 | 2010 |
|---|--------|--------|--------|
| CRAR – Overall | 26.28% | 35.17% | 34.19% |
| CRAR – Tier I | 25.70% | 34.45% | 33.73% |
| CRAR – Tier II | 0.58% | 0.72% | 0.45% |
| Operating Profit to Total Working Funds | 6.49% | 12.69% | 10.55% |
| Fee based income to Total income | 82.90% | 83.87% | 86.10% |
| Return on Total Assets | 5.45% | 5% | 4.66% |

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Operating results of Mumbai in 2012

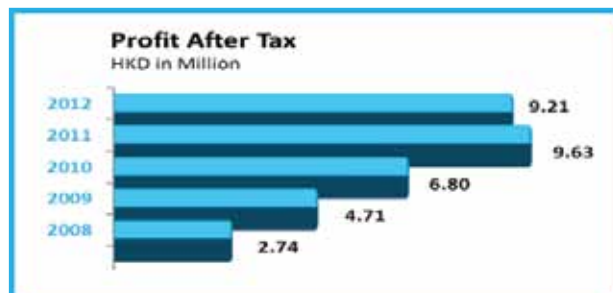
| Particulars | 2012 | 2011 | 2010 |
|-------------------------------------|--------|--------|-------|
| Profit after tax (PAT)- INR Million | 93.57 | 60.76 | 51.23 |
| Return on assets (%) | 5.45% | 5.00% | 4.66% |
| Return on equity (%) | 12.88% | 10.08% | 9.36% |

- AB International Finance Limited (ABIFL), Hong Kong

ABIFL started its operations in 1995 and primarily engaged in advising, adding confirmation of documentary credit, negotiation and discounting of bills under LC. ABIFL is also involved in remittance business. ABIFL's performance in 2012 was satisfactory all round.

Profit Operating results of ABIFL in 2012:

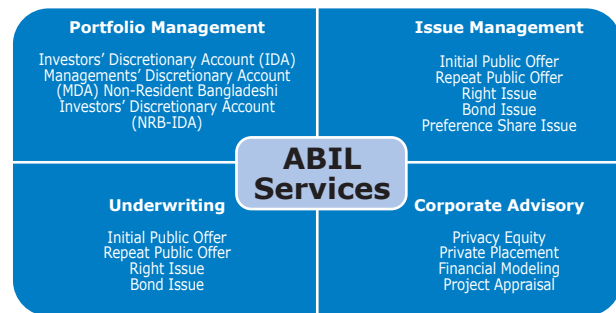
| | 2012 | 2011 | 2010 | 2009 |
|------------------------------------|--------|--------|--------|--------|
| Profit after tax (PAT)-HKD Million | 9.21 | 9.63 | 6.80 | 4.71 |
| Return on assets (%) | 5.54% | 5.55% | 4.33% | 3.90% |
| Return on equity (%) | 50.23% | 60.70% | 48.57% | 38.44% |
| Earnings per Share-HKD | 92.07 | 96.29 | 67.98 | 47.07 |



Local Subsidiaries

- AB Investment Limited (ABIL)

After incorporation on December 24, 2009 AB Investment Limited (ABIL), a wholly owned subsidiary company of AB Bank Limited, started its operation on the March 10, 2010. Clients of ABIL avail the following services:



The number of clients of AB Investment Limited is about 2,749 and it comprises of Local Individual & Institutional clients along with NRBs and Foreign Individuals. ABIL has six panel brokers to perform trading of its clients and of own portfolio. Total portfolio of ABIL was more than TK. 9.88 billion in 2012 which is 0.41% of the total market capitalization. Currently, ABIL operates from its Head Office in Dhaka and two branch offices in Chittagong & Sylhet.

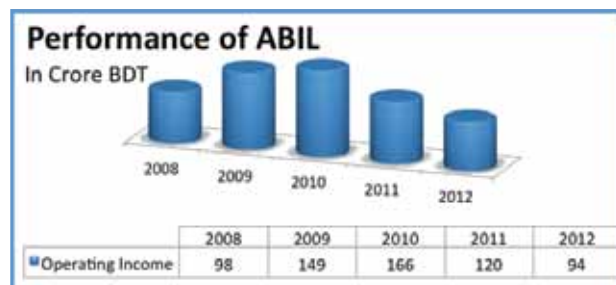
AB Investment Limited has already introduced Corporate Management Discretionary Services for the Corporate Clients. Product features are given below:

Product at a Glance

| | |
|-----------------------------|---|
| Target Client | : All corporate companies currently operating in Bangladesh |
| Margin Facility | : Nil |
| Minimum Deposit Requirement | : Taka 1,000,000 (Flexible) |
| Investment Basis | : Long Term Investment |
| Management Fee | : 1% of Market Value ** (charged quarterly) |
| Transaction Commission | : 0.25% on trade value |
| Documentation Fee | : Taka 1000 |

Note: Portfolio Management Fee will be 1% of market value of the portfolio which will be charged quarterly. A review of profitability of each Corporate MDA on quarterly basis where ABIL will rebate the management fee if client's minimum return on equity (3.5% per quarter, 14% per annum) is not achieved.

Performance of ABIL



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AB Bank Limited Directors' Report 2012

- AB Securities Limited (ABSL)

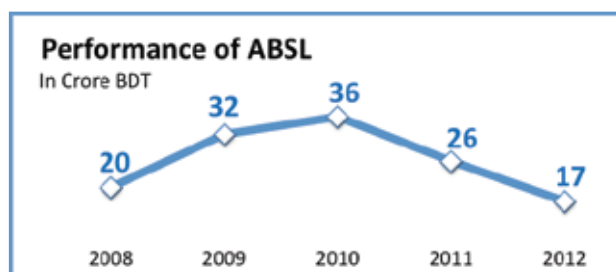
After incorporation on December 24, 2009, AB Securities Limited (ABSL), a wholly owned subsidiary company of AB Bank Limited, started its operation on the August 2, 2011. ABSL is a corporate member of both Dhaka Stock Exchange Limited (member # 201) and Chittagong Stock Exchange Limited (member # 101).

The number of clients of AB Securities Limited is around 2,500 and it comprises of Local Individual & Institutional clients along with NRBs and Foreign Individuals. ABSL also acts as one of the Agent Brokers of AB Investment Limited. Total turnover of ABSL was more than Tk. 25.83 billion in 2012 which is 1.19% of the total market. ABSL stood 20th in Dhaka Stock Exchange and 45th in Chittagong Stock Exchange in terms of turnover. Currently, ABSL operates from its Head Office in Dhaka and two branch offices in Chittagong & Sylhet.

Services provided by ABSL



For Foreign Nationals and Non-Resident Bangladeshi (NRB)s, we provide one stop stock broking services including assistance in opening Foreign Currency (FC) account & Non-Resident Investor's Taka Account (NITA), BO account opening and trading at DSE and CSE



Cashlink Bangladesh Limited (CBL) is a subsidiary of AB Bank Limited. CBL was incorporated on September 24, 2008 with the following objectives:

==> To carry on the business of providing integrated electronic financial payment to AB and other member Banks;

==> To do Transaction Processing solutions in Bangladesh, including coordination and deployment of independent branded automated teller machines (ATM);

==> To facilitate Electronic Fund Transfer through Points of Sale (EFT POS) and provide pre-paid Card, Debit Card and Credit Card processing services etc.

==> To facilitate e-commerce facility to AB and other member Banks.

CBL's vision is to become the largest shared ATM & POS network in Bangladesh. Currently CBL is providing Electronic Fund Transfer services through ATMs and POS throughout the country to the following member Banks:

Credit Risk Management (CRM)

Credit risk of the Bank is governed by the CRM Division following Credit Policy Manual and other guidelines of Bangladesh Bank issued from time to time. Bank has identified credit portfolio into Corporate, Retail-Consumer Credit and Cards and SME in the overall. There are separate policies for each such sectors with clearly defined units for exposure and risk management aspects. Bank-wide credit processing matrix is in place which is spread upto the Branch level. Clear segregation of relationship and credit processing streams across the Bank has been ensured to assure credit risk management covering the entire credit cycle. This set-up has also ensured sound practices in credit processing / appraisal, credit approval, credit documentation, credit disbursement, credit administration, monitoring and control.

Credit Administration Management (CAM)

Bank has a separate unit called Credit Administration Management (CAM) for Credit Administration and handling of classified loans. Banks entire CRM process is automated and linked to the Bank-wide core system which enhanced the reach of CAM unit further. Side by side with the automation of Trade Finance Module, AB is moving towards an integrated credit management environment.

Finance Division (FD)

Bank's Finance Division is working towards achieving high standards as befitting for a financial institution like AB and is also embedded with compliance framework and policies of the bank as a whole. Finance is about

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AB Bank Limited Directors' Report 2012

developing and maintaining a service-oriented culture, having a strong capacity for strategic and tactical analysis, monitoring internal and outward factors, and working within the businesses to add values. It is performing the key roles of controllership, budgeting, forecasting, financial analysis, business performance monitoring, decision support, procurement (Payment Cell), and is also providing risk management/assessment framework support platform.

Risk Management Division (RMD)

In 2009 Bangladesh Bank (BB) issued directive to all Banks to establish Risk Management Unit (RMU). Subsequently, in September, 2009 Terms of Reference and Organogram of RMU were also prescribed by Bangladesh Bank. Accordingly, Risk Management Unit was established in our Bank on October 15, 2009. A Committee on RMU comprising members from all core risk areas was also formed. The RMU Committee holds meeting every month. It analyzes risk parameters and; takes measures for mitigating various risks issues. In February, 2012 Bangladesh Bank issued comprehensive Risk Management Guidelines for Banks. As per directives of Bangladesh Bank, Risk Management Unit has been recently renamed as Risk Management Division with Deputy Managing Director as Chief Risk Officer and Head of Risk Management Division (RMD), which was duly approved by the Board of Directors. RMD is constantly contemplating and exerting efforts for developing a structure and processes to ensure sound risk management in all areas of the Bank. Bank also formed a Supervisory Review Process (SRP) Team in pursuance of relevant guidelines of Bangladesh Bank. The function of SRP Team includes assessment/review of minimum capital requirement (MCR) and maintaining thereof as well as assessment of requirement of adequate capital in consideration of residual risk, evaluation of core risk management, credit concentration risk, interest rate risk, liquidity risk, Operation risk including reputation risk, settlement risk, strategic risk among others.

Financial Performance in 2012

Sound financial health of a bank is the guarantee not only to its depositors but is equally significant for the shareholders, employees and whole economy as well. As a sequel to this maxim, efforts have been made from time to time, to measure the financial position of each bank and manage it efficiently and effectively. Amid a challenging economic and business environment, which prevailed throughout 2012, financial results of the Bank helped AB Bank in achieving its desired path. Business and functional strategies and activities were successfully driven towards the achievements.

Total Assets of the Bank stood at Taka 17,384 crore (growth of 14 percent) while Total Capital reached the level of Taka 1,718 crore at the year end.

Key business areas registered growth which ultimately resulted in a bottom line (PAT) growth of 8 percent compared to last year. EPS stood at Taka 3.25 showing a positive growth of 8 percent over last year as well.

Business Results

| Taka in Crore | 2012 | 2011 | % Change |
|--------------------------|--------|--------|----------|
| Deposits | 14,003 | 11,615 | 20.56% |
| Loans and Advances | 10,607 | 9,464 | 12.07% |
| Investments | 2,611 | 2,156 | 21.13% |
| Import Business | 10,037 | 7,946 | 26.32% |
| Export Business | 6,578 | 5,759 | 14.22% |
| Guarantee Business | 1,320 | 1,352 | -2.37% |
| Remittance (\$) | 22 | 25 | -13.64% |
| Operating Profit | 436.30 | 431 | 1.18% |
| Net Operating Profit | 319.03 | 296 | 7.78% |
| Profit after Tax | 143.85 | 133 | 8.32% |
| Earnings per Share (Tk.) | 3.25 | 3.00 | 8.32% |
| Return on Equity | 9.31% | 9.25% | 0.07% |
| Return on Assets | 0.88% | 0.93% | -0.05% |
| Asset Utilization Ratio | 82.93% | 81.75% | 1.18% |

Loans and Advances reached Taka 10,607 crore while Deposits was Taka 14,003 crore representing growth of 12 percent and 21 percent respectively. Trading business also experienced good results in 2012 amply showing the efforts of the Bank in this respect.

Operating Profit of the Bank was Taka 436 crore registering a growth of 1 percent. Net Interest Income growth of 31 percent and nearly 11 percent growth in

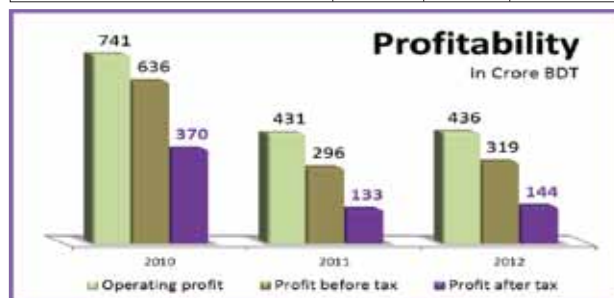
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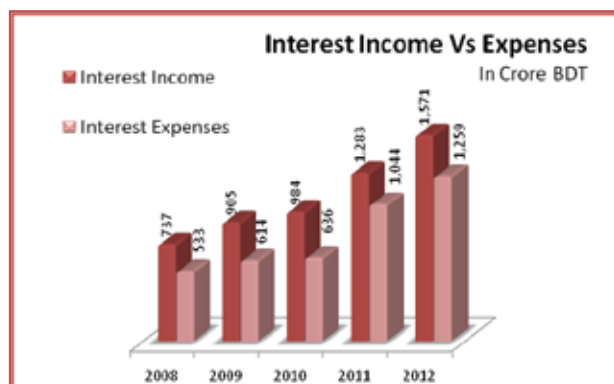
commission, exchange & brokerage income during the year led to the Operating Profit. After providing for requisite Tax and Provisions as per Bangladesh Bank guidelines, Profit after Tax (PAT) stood at Taka 144 crore for the year. During the year, Bank also provided for Taka 175 crore as provision for Tax and Deferred Tax.

Operational Performance

| Taka in Crore | 2012 | 2011 | % Change |
|-------------------------------|-------|-------|----------|
| Interest income | 1,571 | 1,283 | 22.48% |
| Interest expenses | 1,259 | 1,044 | 20.61% |
| Net interest income | 312 | 239 | 30.65% |
| Investment income | 271 | 264 | 2.81% |
| Comm.exchange & brokerage | 246 | 221 | 11.37% |
| Other income | 14 | 49 | -72.03% |
| Operating Revenue | 843 | 774 | 8.98% |
| Operating expenses | 407 | 343 | 18.71% |
| Profit before Provision & Tax | 436 | 431 | 1.23% |
| Provision & Tax | 292 | 298 | -1.86% |
| Profit after Tax | 144 | 133 | 8.16% |

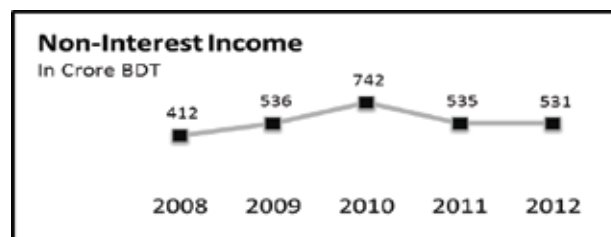


Interest income grew by 22 percent during 2012 which is consistent with the increase of Loans and Advances of 12 percent during the year. Bank had to mobilize funds to finance the growth of business. Deposits experienced a growth of 21 percent also resulting in increase of interest expense by 21 percent.



Net interest income of the Bank was Taka 312 crore having a growth of 31 percent, a testimony of Banks ability to maintain reasonable yield on Loans and Advances.

Total Non-funded or Non-interest Income including Income from Investments stood at Taka 531 crore at the end of the year which was Taka 534 crore in the last year.



Operating expenses during the year increased by Taka 64 crore, an increase of 19 percent over last year. Bank had to sustain the growth momentum through investment in infrastructure and human capital. Moreover, inflationary effects and increase of business inputs including utilities contributed towards this upward move. Salary and allowances which accounts for 46 percent of operating expenses increased by 12 percent as the Bank went for promotion and salary increment. Besides, rent, taxes, insurance, electricity also increased due to multiple reasons like imposition of VAT, expansion of new branch, etc. Communication and other expenses marked rise keeping pace with the growing business volume. Depreciation and repair of Bank's assets showed upward trend due to charging of depreciation of newly procured assets.

One of the key operational indicators "productivity of the employee" showed improvement in 2012.

| Taka in Crore | 2012 | 2011 | Growth(%) |
|-----------------------------------|------|------|-----------|
| Operating profit per employee | 0.21 | 0.21 | 2.50% |
| Net Profit after Tax per employee | 0.07 | 0.06 | 9.52% |
| Total Asset per employee | 8.40 | 7.30 | 15.08% |

Bank made progress in all major areas of business in 2012. Total Asset growth of 14 percent, Deposit growth of 21 percent, Loans and Advances growth of 12 percent, among others signifies a high performing Bank.

| Taka in Crore | 2012 | 2011 | Growth(%) |
|------------------|--------|--------|-----------|
| Total Assets | 17,384 | 15,296 | 13.65% |
| Deposits | 14,003 | 11,615 | 20.56% |
| Loans & Advances | 10,607 | 9,464 | 12.07% |
| Investments | 2,611 | 2,156 | 21.13% |
| Import | 10,037 | 7,946 | 26.32% |
| Export | 6,578 | 5,759 | 14.22% |
| Remittance (\$) | 22 | 25 | -13.64% |
| Guarantee | 1,320 | 1,352 | -2.37% |

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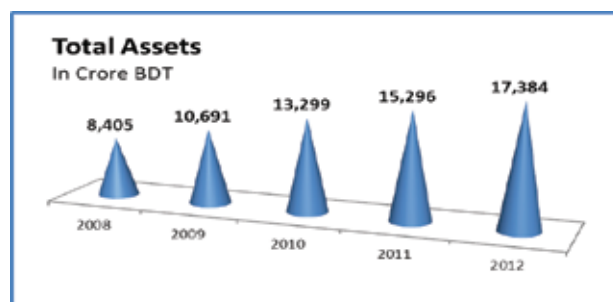
AB Bank Limited Directors' Report 2012

Provision against Loans and Advances has increased during the year due to volume growth and also to cover the classified loans and advances. Bank gave constant emphasis on quality credit portfolio and could also keep the NPL Ratio at a manageable level due to the prudent risk management strategies. A committed recovery team and adequate monitoring and control systems are in place for asset quality assurance. Bank made total provisions of Taka 117 crore against Loans and Advances, Off Balance Sheet items, Investments and others.

| Taka in Crore | 2012 | 2011 | Change% |
|----------------------|----------|----------|---------|
| Net Profit after Tax | 143.85 | 132.8 | 8.32% |
| Total Income | 2,102.64 | 1,817.94 | 15.66% |
| Interest Income | 1,571.40 | 1,283.08 | 22.47% |
| Classified Loans | 352.23 | 267.18 | 31.83% |
| CL Ratio | 3.32% | 2.82% | 17.76% |
| CL Provisions | 109.87 | 103.05 | 6.62% |

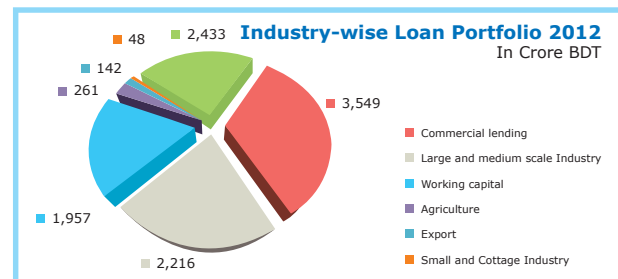
Total Assets of the Bank stood at Taka 17,384 crore in 2012 against Taka 15,296 crore in 2011 registering a growth of 14 percent. Increases of total assets were mainly driven by business assets like Loans & Advances, Investments and Money at call and short notice.

| Taka in Crore | 2012 | 2011 | Growth(%) |
|---|-----------|-----------|-----------|
| Cash | 962.28 | 936.14 | 2.79% |
| Balance with other banks and financial institutions | 887.71 | 816.23 | 8.76% |
| Money at call and short notice | 367.18 | 66.58 | 451.49% |
| Investments | 2,611.48 | 2,155.60 | 21.15% |
| Loans and Advances | 10,606.58 | 9,463.82 | 12.07% |
| Fixed Assets | 422.95 | 405.21 | 4.38% |
| Other Assets | 1,526.07 | 1,452.69 | 5.05% |
| Total Assets | 17,384.24 | 15,296.27 | 13.65% |

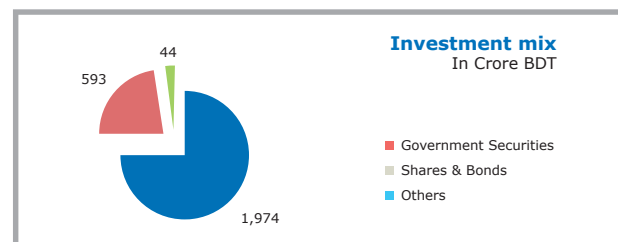


Over a period of five years, Bank's asset base has grown over a whopping 107 percent paving the way for shareholders value addition.

Loans and advances of the Bank grew by 12 percent and stood at Taka 10,607 crore during the year 2012. This is a result of continued growth in lending business and solid growth in banking activities reflecting a continued focus on customers and profitable growth. Commercial lending, the main concentration area for the Bank financing since long, comprises of 33 percent of total loans and advances. Sector-wise loan portfolio also shows diversification mode of portfolio.



Bank's investments, during the year 2012, were made mostly in government securities which stood at Taka 1,974 crore in 2012 as against Taka 1,611 crore in 2011. Out of total Investments 76 percent is in Government Securities to maintain SLR. Investment in Shares stood at Taka 579 crore at the year-end.



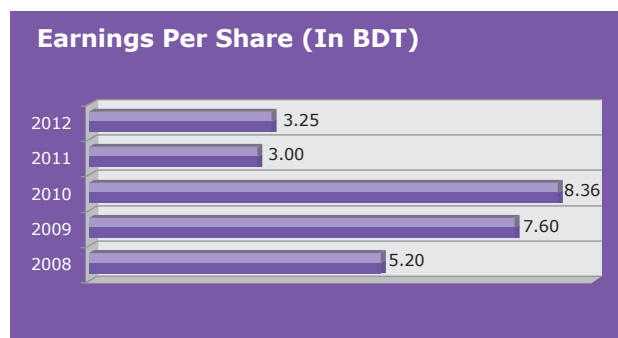
Other Assets of the Bank stood at Taka 1,526 crore a growth of 5 percent during the year. Other assets mostly comprises investment in subsidiaries, advance tax, operational advances among others.

Total liabilities in 2012 increased by 14 percent to Taka 15,781 crore from Taka 13,811 crore in 2011. Significant increases were in the area of Deposits. Borrowings decreased by 64 percent to Taka 365 crore from Taka 1,025 crore in 2011. In this respect, interbank dependency has decreased significantly. AB's total Deposit stood at Taka 14,003 crore at the end of year 2012. The volume of deposits, therefore, grew by 21 percent in 2012 over the previous year. The growth was supported by Branch network and along with liability campaign carried out for mobilization of deposits.

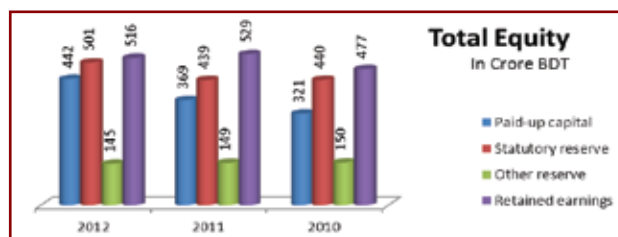
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AB Bank Limited Directors' Report 2012

Earnings per Share stood at Taka 3.25 in 2012 compared to Taka 3.00 last year recording 8.33 percent growth. Return on Assets (ROA) for the year was 0.88 percent while Return on Equity (ROE) reached 9.31 percent reflecting a testimony to a successful year for AB.



Shareholders Equity stood at Taka 1,603 crore at the end of 2012 showing a growth of 8 percent over last year. Paid-up Capital of the Bank went up by 20 percent to Taka 442 crore representing the effect of Stock Dividend for the year 2011. Statutory reserves stood at Taka 501 crore in 2012. During the year 20% statutory reserve was maintained on Profit before Tax for local operations while statutory reserves for Mumbai Branch, India was maintained according to Reserve Bank of India (RBI) guidelines. Retained earnings for the year was Taka 516 crore from the last year level of Taka 529 crore.



Cash flow statement

During the year 2012, Bank had a net cash flow of Taka 398 crore as given below:

| Taka in Crore | 2012 | 2011 |
|--|---------|----------|
| Net cash flow from operating activities | 914.81 | 1,258.84 |
| Net cash flow from investment activities | -501.87 | -717.23 |
| Net cash flow from financing activities | -14.77 | -51.82 |
| Net increase and decrease in cash | 398.18 | 489.79 |

Net cash flow from operating activities

Major component of net cash flow from operating activities was operating profit after elimination of the effect of depreciation and provision and non cash items in

Profit and Loss Account. Increase in Loans and Advances and other cash flows from operating activities were covered from Deposits. Increase/(decrease) of current assets and current liabilities effect has given in operating activities.

Net cash flow from investment activities

Net cash flow from investment activities is negative as the Bank purchased government securities, investment in shares and fixed assets were acquired during the year for business purposes.

Net cash flow from financing activities

Net cash flow from financing activities comprised long term borrowings and Dividend paid during the year.

Capital Adequacy

Bank maintained adequate capital throughout and at the end of the year CAR was 11.73 percent. In 2012 the Bank's Core capital and Total Capital were 9.99 percent and 11.73 percent respectively.

Capital Adequacy

| Taka in Crore | 2012 | 2011 |
|---------------------|-----------|-----------|
| Capital requirement | 1,464.92 | 1,402.36 |
| Capital maintained | 1,718.14 | 1,594.33 |
| Surplus/(Defecit) | 253.22 | 191.97 |
| RWA | 14,649.22 | 14,023.59 |
| CAR % requirement | 10% | 10% |
| CAR % maintained | 11.73% | 11.37% |

Core Capital (Tier-I) includes Paid-Up Capital, Statutory Reserve, General Reserve and Retained Earnings

Supplementary Capital (Tier-II) comprises General provision on loans and advances, 50 percent of Revaluation Reserve of Securities and Assets.

Return on Equity (ROE) stood at 9.31 percent during the year. Earnings per Share stood at Taka 3.25 during the year 2012 compared to Taka 3.00 last year.

Capital Management

Bank has a detailed capital plan in place developed in line with the annual Business Plan. Quarterly review of the

-contd.

AB Bank Limited Directors' Report 2012

Capital Plan is done by the Board. Bank also adjusts its capital plan as and when required judging on the business eventualities. Bank maintained adequate capital throughout. At the end of the year 2012, Capital Adequacy Ratio (CAR) stood at 11.73 percent.

(Taka in Crore)

| Particulars | 2012 | 2011 | % Growth |
|--|--------|--------|----------|
| Fully Paid-up Capital | 442 | 369 | 20% |
| Statutory Reserve | 501 | 439 | 14.12% |
| General Reserve | 4 | 4 | - |
| Retained Earnings | 516 | 529 | -2.50% |
| a. Total Eligible Tier-I Capital | 1,463 | 1341 | 9.10% |
| General Provision for Unclassified Loans | 127 | 130 | -2.34% |
| General Provision for off Balance Sheet Exposure | 58 | 51 | 13.73% |
| Assets Revaluation Reserves up to 50% | 69 | 71 | -2.84% |
| Revaluation Reserves of Securities (Upto 50%) | 1 | 1 | -9.86% |
| b. Total Eligible Tier-II Capital | 255 | 253 | 0.71% |
| c. Total Eligible Capital (a+b) | 1,718 | 1594 | 7.77% |
| Total assets including Off-Balance Sheet items | 23,343 | 20,556 | 13.56% |
| Total Risk-Weighted Assets (RWA) | 14,649 | 14,024 | 4.46% |
| Total Required Capital (10% of Total RWA) | 1,465 | 1,402 | 4.46% |
| Capital Surplus / (Shortfall) | 253 | 192 | 31.89% |
| Capital Adequacy Ratio | 11.73% | 11.37% | |

Capital Adequacy Ratio (Under BASEL II)

(Taka in Crore)

| Particulars | 2012 | | | |
|------------------------------------|--------|--------|---------|--------|
| | QTR I | QTR II | QTR III | QTR IV |
| Total Risk Weighted Assets (RWA) | 15,236 | 14,016 | 14,336 | 14,649 |
| Total Capital Requirement | 1,524 | 1,402 | 1,434 | 1,465 |
| Capital Adequacy Ratio-Requirement | 10% | 10% | 10% | 10% |
| Capital Adequacy Ratio-Maintained | 11.32% | 11.70% | 11.48% | 11.73% |
| Total Capital Maintained | 1,724 | 1,639 | 1,646 | 1,718 |

Overall business performance indicators shows improvement in terms of profitability, capital maintenance and Shareholders value addition for AB in 2012.

| Particulars | 2012 | 2011 | 2010 | 2009 |
|----------------------------------|-------|-------|-------|-------|
| LD Ratio (%) | 75.75 | 81.48 | 91.95 | 85.31 |
| CL (%) | 3.32 | 2.82 | 2.1 | 2.75 |
| Capital Adequacy Ratio (%) | 11.73 | 11.37 | 9.91 | 11.09 |
| Cost Income Ratio (%) | 48.27 | 44.31 | 32.01 | 29.83 |
| Earning Per Share (Taka)-Diluted | 3.25 | 3.00 | 8.36 | 7.60 |
| Return on Equity (%) | 9.31 | 9.25 | 30.77 | 39.84 |
| Return on Assets (%) | 0.88 | 0.93 | 3.08 | 3.52 |
| Asset Utilization Ratio (%) | 82.93 | 81.75 | 83.05 | 81.16 |

Consolidated Financial Statements

As per the Bangladesh Securities & Exchange Rules, 1987 Rules 12(2) "The financial statements of an issuer of a listed security shall be prepared in accordance with requirements laid down in the Schedule and the International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB)".

In the year 2009, Bangladesh Bank guidelines on Basel-II also laid emphasis on consolidation of accounts in case of Bank's housing any subsidiary company. Accordingly, Bank Management and the Board of Directors resolved to follow the guidelines of Bangladesh Accounting Standards (BAS) 27: "Consolidated and Separate Financial Statements".

In compliance with the aforesaid, AB Bank prepared Financial Statements on Consolidated basis and Solo basis. Consolidated Financial Statements consists of:

- AB Bank Limited
- AB Investment Limited
- AB Securities Limited
- AB International Finance Limited (wholly owned subsidiary company of AB Bank Limited)
- AB Exchange (UK) Limited
- Cash Link Bangladesh Limited

Consolidated Financial Statements for the Bank and its Subsidiaries and also separate Financial Statements were prepared for the Bank in relation to the year end 2012 accounts. The Financial Statements for the year 2011 have also been re-arranged for better comparative information.

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AB Bank Limited Directors' Report 2012

Consolidated Financial positions of AB Bank Limited & its subsidiaries is given below:

Consolidated Balance Sheet

| | Amount in Crore Taka | |
|--|----------------------|----------------|
| | At 31 Dec 2012 | At 31 Dec 2011 |
| PROPERTY AND ASSETS | | |
| Cash | 962 | 936 |
| Balance with other banks and financial institutions | 747 | 670 |
| Money at call and on short notice | 367 | 67 |
| Investments | 2,695 | 2,248 |
| Loans and advances | 11,366 | 10,247 |
| Fixed assets including premises, furniture and fixtures | 487 | 477 |
| Other assets | 927 | 796 |
| Non-banking assets | - | - |
| Total Assets | 17,552 | 15,440 |
| LIABILITIES AND CAPITAL | | |
| Liabilities | | |
| Borrowings from other banks, financial institutions and agents | 412 | 1,070 |
| Deposits and other accounts | 13,991 | 11,583 |
| Other liabilities | 1,529 | 1,288 |
| Total Liabilities | 15,932 | 13,941 |
| Equity attributable to equity holders of the parent company | 1,622 | 1,501 |
| Minority interest | (2.02) | (1.49) |
| Total Equity | 1,620 | 1,500 |
| Total Liabilities and Shareholders' Equity | 17,552 | 15,440 |

Consolidated Profit and Loss Statement

For the year ended 31 December 2012

| | 2012 | 2011 |
|--|-------------|-------------|
| OPERATING INCOME | | |
| Interest income | 1,650 | 1,379 |
| Interest paid on deposits and borrowings, etc. | (1,269) | (1,047) |
| Net interest income | 381 | 332 |
| Investment income | 233 | 208 |
| Commission, exchange and brokerage | 269 | 268 |
| Other operating income | 19 | 58 |
| | 521 | 534 |
| Total operating income | 902 | 866 |
| Total operating expenses | 430 | 372 |
| Profit before provision | 472 | 494 |
| Total provision | 122 | 147 |
| Profit before taxation | 350 | 347 |
| Provision for taxation | 203 | 208 |
| Net profit after taxation | 146 | 139 |
| Earnings Per Share (EPS) | 3.32 | 3.15 |

-contd.

AB Bank Limited Directors' Report 2012

APPOINTMENT OF AUDITORS OF THE BANK

The External Auditor of the Bank, M/s. S.F AHMED & Co. (SFACO) Chartered Accountants has completed three consecutive years in office and as per directives issued by Bangladesh Bank; they are not eligible for re-appointment.

So, the Shareholders of the Company will have to appoint a new External Auditor for the year 2013 in the 31st AGM of the Bank to be held on July 7, 2013 (Sunday)

Dividend

Board of Director of the Bank has recommended Stock Dividend (Bonus Shares) @12.5% for the year ended 31st December, 2012 after keeping required provisions as envisaged by the applicable Acts and laws and regulations of Bangladesh Bank in this respect.

ELECTION OF DIRECTORS

In accordance with the relevant provisions of the Articles of Association of the Bank, at least one third of the Directors (other than the managing Director) shall retire in the next Annual General Meeting. All the retiring Directors are eligible for re-election/re-nomination by the 'respective group of shareholders under Articles 103 and 108 of the Articles of Association of the Bank.

BOARD OF DIRECTORS

Board of Directors of AB comprises of 14 (fourteen) Members including the President & Managing Director.

President & Managing Director is the Ex-Officio Member of the Board. Mr. Shishir Ranjan Bose, FCA has been inducted as an Independent Director in compliance with the guidelines of the Bangladesh Securities and Exchange Commission (BSEC).

Board also has two Committees in operation viz Executive Committee and the Audit Committee. Respective Committees operate following there given TOR set by the Board of Bangladesh Bank as the case may be.

Bangladesh Bank had appointed an observer in AB's Board w.e.f 12th January 2011 and subsequently withdrew observer vide letter No. DOS (EW)1164/04(AB)/2012-107 dated 16 July 2012 from the Board.

DEPOSITOR DIRECTOR

Prof. Dr. M Imtiaz Hossain and Ms. Runa Zakia Shahrood Khan were inducted as Depositor Directors on December 3, 2008 and February 18, 2009 respectively in compliance with the BRPD Circular Letter No.10 dated July 23, 2008.

President & Managing Director

At the beginning of the year 2011, Bangladesh Bank approved the re-appointment of Mr. Kaiser A. Chowdhury, former President & Managing Director for a further period of 1 (one) year w.e.f January 12, 2011. Accordingly, after completion of the said one year of Mr. Chowdhury on January 11, 2012, Board of Directors in its Emergency Board Meeting held on January 16, 2012 approved the appointment of Mr. M. Fazlur Rahman as President & Managing Director in acting capacity as at the close of Business on January 16, 2012 till further notice as Bangladesh Bank was reluctant to renew the contract of Mr. Kaiser A. Chowdhury.

Subsequently, Mr. M. Fazlur Rahman has been appointed as President & Managing Director of the Bank w.e.f April 10, 2012 for a period of 3 (three) years.

Arab Bangladesh Bank Foundation (ABBF), a fully owned subsidiary of the Bank, is a platform for philanthropic activities. Board of Directors of AB has resolved to dissolve Foundation in its present form and convert it into an "entity" under the Societies Act and to carry on with its philanthropic activities as envisioned. ABBF has donated Taka 12.57 million in 2012 under CSR activities.

Rating of AB Bank Limited

AB Bank Limited was rated by Credit Rating Agency of Bangladesh Ltd. (CRAB). The summary of their ratings is given below:

| Surveillance Rating (2012) | Long Term | Short Term |
|----------------------------|-----------------|------------|
| | AA ₃ | ST-2 |
| Date of Rating | 26 May 2013 | |
| Validity Date | 30 June 2014 | |

Credit Rating Agency of Bangladesh Ltd. (CRAB) has affirmed 'AA₃' rating in the long term and 'ST-2' rating in the short term of AB Bank Limited for the year ended December 31, 2012 (based on Audited Financials).

Commercial Banks rated 'AA₃' in the long term belongs to "Very strong capacity & very high quality" cohort.

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AB Bank Limited Directors' Report 2012

Banks rated 'AA3' has very strong capacity to meet their financial commitments. 'AA3' rated banks are judged to be of very high quality and are subject to very low credit risk.

Commercial Banks rated 'ST-2' in the short term is considered to have strong capacity for timely repayment. Commercial Banks rated in this category are characterized with commendable position in terms of liquidity, internal fund generation, and access to alternative sources of funds.

31st Annual General Meeting

The 31st Annual General Meeting will be held on July 7, 2013 (Sunday) at the Bashundhara Convention Block-G, Bashundhara R/A, Baridhara, Dhaka at 11.00 am.

Future Outlook

Bangladesh economy grew by 6.3% in FY2012 as per IMF reports. Exports trade has been accelerated creating new job opportunities especially for women. It is also significant to understand that our external trade whopped up by almost four-fold in US dollar terms in the past decade. Poverty has been reduced and targets set for Millennium Development Goals are being achieved. The government has drawn up a vision 2021 program to raise its growth rate to 8% by 2015 and possibly to 10% by 2021, in tandem with the country's objective to attain Middle Income Country Status in the next 10 years.

Implementation of the growth strategy is a sine qua non from social harmony and sustainability in the perspective of a densely populated country like Bangladesh. Financial institutions will be needed to play a concerted and proactive role in the development of the country and sustainability, increase financial inclusion of a large population now totally outside the banking umbrella.

Infrastructure, investment policy clarity, political harmony, availability of power and gas at a sustainability level including absence of major natural calamity including containment of inflation remain causes of concern of the nation.


It is my humble belief that the year 2013 will be a difficult year for those financial institutions in Bangladesh which are not well organized and have serious lack of good governance. Banks with good and manageable portfolio will be able to harvest the result of an uptrend of Asian economy. It will be our endeavor to consolidate the growth and thereby remain compliant in all respects and yet earn respectable returns for all our shareholders.

Gratitude

The Members of the board take this opportunity to express their gratitude to all the valued Shareholders, Clients, Patrons and well-wishers for their continued support over the years. We are also deeply indebted to the Government of Bangladesh in particular to the Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC), Stock Exchanges, other financial institutions, office of the Registrar of Joint Stock Companies & Firms and all other concerned for their continued guidance and support throughout this long journey of the Bank.

The Board would like to place on deepest appreciation for the dedicated services rendered by all the employees of the Bank.

AB will remain committed to its vision and also towards creation of Shareholder value. Besides, AB will also continue its holistic efforts in accelerating its contribution towards economic development of the country.



M. Wahidul Haque
Chairman

AB Bank Limited President & Managing Director and CFO's Statement

March 28, 2013

**TO
THE BOARD OF DIRECTORS**

AB Bank Limited
Head Office, Dhaka


**SUB: PRESIDENT & MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER'S DECLARATION TO THE
BOARD OF DIRECTORS OF THE BANK**

In compliance with the notification of Bangladesh Securities and Exchange Commission No# SEC/CMRRCD/2006-158/134/Admin/44 dated 07, August, 2012; we declare the following for the financial year ended 31 December, 2012:

- i. We have reviewed the financial statements for the year and that to the best of our knowledge and belief:
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;
- ii. There are, to the best of knowledge and belief, no transaction was entered into by the Bank during the year which are fraudulent, illegal or in violation of the Bank's code of Conduct.



Mahadev Sarker Sumon FCA
Chief Financial Officer



M. Fazlur Rahman
President & Managing Director



Auditors' Report &
Financial Statements
for the year ended 31 December 2012

AB Bank Limited

Auditors' Report

To the Shareholders

We have audited the accompanying consolidated financial statements of AB Bank Limited and its subsidiaries ("the Group") as well as the financial statements of AB Bank Limited (the Bank) which comprise the consolidated and separate balance sheets as at 31 December 2012 and consolidated and separate profit and loss statements, cash flow statements, statements of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes and annexures thereto. The financial statements of five subsidiaries, namely, AB Investment Limited, AB Securities Limited, Cashlink Bangladesh Limited, AB International Finance Limited and AB Exchange Company (UK) Limited as of 31 December 2012 were audited by other auditors which were relied upon by us.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud and error. In making those risk assessments, the auditors 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 referred to above which have been prepared in the format prescribed by Bangladesh Bank vide circular no. 14 dated 25 June 2003 and in accordance with relevant Bangladesh Financial Reporting Standards/ Bangladesh Accounting Standards give a true and fair view of the state of affairs of the Bank as at 31 December 2012 and 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, Bangladesh Securities and Exchange Rules 1987, rules and regulations issued by Bangladesh Bank 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 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 the branches not visited by us;
- (iii) the Bank's balance sheet and profit and loss statement dealt with by this report are in agreement with the books of account and returns;
- (iv) the expenditures incurred during the year were for the purposes of the business of the Bank;
- (v) the financial statements of the Bank 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) adequate provisions have been made for loans and advances and other assets following the guidelines of Bangladesh Bank and in compliance with the letter issued by Bangladesh Bank vide letter no. DBI-1(Private)/101/2013-354 dated 25 March 2013;
- (vii) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (viii) the information and explanations required by us have been received and found to be satisfactory;
- (ix) the cash reserve requirement and statutory liquidity reserve with Bangladesh Bank have been maintained as per rules;
- (x) the existing rules and regulations for loan sanctioning and disbursements have been followed properly as it revealed from our test checks;
- (xi) the internal control system was found satisfactory and adequate to prevent probable frauds and forgeries as it appeared from our test checks;
- (xii) adequate capital of Bank as required by law has been maintained during the year under audit;
- (xiii) 80% of risk-weighted assets of the Bank have been audited;
- (xiv) we have spent approximately 3,200 man hours for the audit of books and account of the Bank; and
- (xv) we are not aware of any other matters, which are required to be brought to the notice of the shareholders of the Bank.

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 28 March 2013


S. F. AHMED & CO
Chartered Accountants

AB Bank Limited & Its Subsidiaries

Consolidated Balance Sheet

At 31 December 2012

| | Notes | Amounts in Taka | |
|--|--------|------------------------|------------------------|
| | | At 31 Dec 2012 | At 31 Dec 2011 |
| PROPERTY AND ASSETS | | | |
| Cash | 3(a) | 9,622,886,412 | 9,361,503,594 |
| In hand (including foreign currencies) | 3.1(a) | 1,231,720,758 | 997,917,256 |
| Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies) | 3.2(a) | 8,391,165,655 | 8,363,586,338 |
| Balance with other banks and financial institutions | 4(a) | 7,473,564,867 | 6,695,213,100 |
| In Bangladesh | 4.1(a) | 5,621,794,561 | 5,664,958,585 |
| Outside Bangladesh | 4.2(a) | 1,851,770,306 | 1,030,254,515 |
| Money at call and on short notice | 5(a) | 3,671,790,000 | 665,830,000 |
| Investments | 6(a) | 26,949,597,279 | 22,484,125,659 |
| Government | 6.1(a) | 19,743,454,873 | 16,113,627,582 |
| Others | 6.2(a) | 7,206,142,406 | 6,370,498,077 |
| Loans, advances and lease/investments | | 113,662,985,699 | 102,470,139,418 |
| Loans, cash credits, overdrafts, etc./Investments | 7(a) | 111,311,725,962 | 99,586,187,093 |
| Bills purchased and discounted | 8(a) | 2,351,259,736 | 2,883,952,325 |
| Fixed assets including premises, furniture and fixtures | 9(a) | 4,868,649,902 | 4,765,983,039 |
| Other assets | 10(a) | 9,267,837,853 | 7,961,956,432 |
| Non-banking assets | | - | - |
| Total Assets | | 175,517,312,012 | 154,404,751,242 |
| LIABILITIES AND CAPITAL | | | |
| Liabilities | | | |
| Borrowings from other banks, financial institutions and agents | 11(a) | 4,116,982,161 | 10,698,189,571 |
| Deposits and other accounts | 12(a) | 139,908,043,708 | 115,825,485,296 |
| Current account and other accounts | | 13,487,221,464 | 12,635,670,551 |
| Bills payable | | 1,467,147,011 | 1,251,812,196 |
| Savings bank deposits | | 14,860,539,427 | 13,949,303,799 |
| Fixed deposits | | 80,452,713,916 | 67,763,226,169 |
| Other deposits | | 29,640,421,890 | 20,225,472,581 |
| Other liabilities | 13(a) | 15,290,014,994 | 12,884,286,108 |
| Total liabilities | | 159,315,040,863 | 139,407,960,975 |
| Capital/shareholders' equity | | | |
| Equity attributable to equity holders of the parent company | | 16,222,502,086 | 15,011,653,185 |
| Paid-up capital | 14 | 4,423,336,680 | 3,686,113,900 |
| Statutory reserve | 15 | 5,005,314,801 | 4,390,197,275 |
| Other reserve | 16(a) | 1,532,116,076 | 1,565,712,112 |
| Retained earnings | 17(a) | 5,261,734,530 | 5,369,629,897 |
| Minority interest | 17(b) | (20,230,938) | (14,862,916) |
| Total equity | | 16,202,271,149 | 14,996,790,269 |
| Total Liabilities and Shareholders' equity | | 175,517,312,012 | 154,404,751,242 |


AB Bank Limited & Its Subsidiaries

Consolidated Profit and Loss Statement

For the year ended 31 December 2012

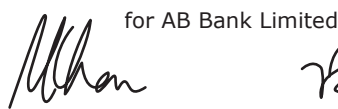
| | | Amounts in Taka | |
|---------------------------|--|------------------------|----------------------|
| | | Year ended | Year ended |
| Notes | | 31 Dec 2012 | 31 Dec 2011 |
| OPERATING INCOME | | | |
| | Interest income/profit on investments | 20(a) 16,497,564,598 | 13,795,334,719 |
| | Interest/profit paid on deposits and borrowings, etc. | 21(a) (12,686,931,403) | (10,472,018,461) |
| | Net interest income | 3,810,633,196 | 3,323,316,259 |
| | Investment income | 22(a) 2,326,182,892 | 2,085,683,464 |
| | Commission, exchange and brokerage | 23(a) 2,689,955,033 | 2,680,385,312 |
| | Other operating income | 24(a) 191,675,408 | 576,612,391 |
| | Total operating income (a) | 5,207,813,333 | 5,342,681,168 |
| | | 9,018,446,529 | 8,665,997,427 |
| OPERATING EXPENSES | | | |
| | Salary and allowances | 25(a) 1,951,187,116 | 1,761,429,031 |
| | Rent, taxes, insurance, electricity, etc. | 26(a) 429,860,032 | 358,174,436 |
| | Legal expenses | 27(a) 11,086,830 | 6,767,716 |
| | Postage, stamps, telecommunication, etc. | 28(a) 136,874,867 | 113,682,711 |
| | Stationery, printing, advertisement, etc. | 29(a) 159,183,662 | 141,840,504 |
| | Chief executive's salary and fees | 8,683,734 | 9,786,518 |
| | Directors' fees | 30(a) 3,189,207 | 2,265,896 |
| | Auditors' fees | 31(a) 6,031,215 | 3,106,993 |
| | Charges on loan losses | - | - |
| | Depreciation and repairs of Bank's assets | 32(a) 459,763,255 | 416,696,843 |
| | Other expenses | 33(a) 1,133,212,962 | 908,138,017 |
| | Total operating expenses (b) | 4,299,072,880 | 3,721,888,664 |
| | Profit before provision (c = a-b) | 4,719,373,649 | 4,944,108,762 |
| | Provision against loans and advances | 34(a) 712,182,142 | 412,372,572 |
| | Provision for diminution in value of investments | 35(a) 426,565,410 | 1,028,949,109 |
| | Other provisions | 36(a) 84,356,875 | 30,229,954 |
| | Total provision (d) | 1,223,104,427 | 1,471,551,635 |
| | Profit before tax (c-d) | 3,496,269,222 | 3,472,557,128 |
| | Provision for taxation | 2,034,460,196 | 2,082,172,078 |
| | Current tax | 1,975,206,567 | 2,101,964,078 |
| | Deferred tax | 59,253,629 | (19,792,000) |
| | Net profit after tax | 1,461,809,025 | 1,390,385,050 |
| | Appropriations | | |
| | Statutory reserve | 624,066,492 | - |
| | General reserve | - | - |
| | Dividends, etc. | - | - |
| | | 624,066,492 | - |
| | Retained surplus | 837,742,534 | 1,390,385,050 |
| | Minority interest | (5,141,410) | (4,357,548) |
| | Net Profit attributable to the shareholders of parent company | 842,883,943 | 1,394,742,598 |
| | Consolidated Earnings Per Share (EPS) | 38(a) 3.32 | 3.15 |

See annexed notes



M. Fazlur Rahman
Managing Director

for AB Bank Limited



Runa Zakia Shahrood Khan
Director



B. B. Saha Roy
Director



M. Wahidul Haque
Chairman

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 28 March 2013



S. F. AHMED & CO
Chartered Accountants

AB Bank Limited & Its Subsidiaries
Consolidated Cash Flow Statement
For the year ended 31 December 2012

Amounts in Taka

Cash Flows from Operating Activities

| |
|--|
| Interest receipts |
| Interest payments |
| Dividend receipts |
| Fee and commission receipts |
| Recoveries on loans previously written off |
| Payments to employees |
| Payments to suppliers |
| Income taxes paid |
| Receipts from other operating activities |
| Payments for other operating activities |

| Year ended 31 Dec 2012 | Year ended 31 Dec 2011 |
|---------------------------|---------------------------|
| 16,110,252,914 | 13,991,787,091 |
| (12,084,816,416) | (10,668,156,527) |
| 428,296,844 | 41,940,483 |
| 1,917,638,998 | 1,911,850,426 |
| 35,168,196 | 80,646,113 |
| (1,959,870,850) | (1,770,817,504) |
| (165,214,877) | (144,710,282) |
| (1,255,457,669) | (2,234,663,832) |
| 2,826,709,294 | 2,726,562,832 |
| (1,780,622,074) | (1,505,956,656) |
| 4,072,084,362 | 2,428,482,143 |

Operating profit before changes in operating assets & liabilities

Increase/decrease in operating assets and liabilities

| |
|---|
| Loans and advances to customers |
| Other assets |
| Deposits from other banks |
| Deposits from customers |
| Trading liabilities (short-term borrowings) |
| Other liabilities |

| | |
|----------------------|-----------------------|
| (10,805,534,597) | (5,957,690,403) |
| (50,423,752) | 525,619,687 |
| (1,518,308,927) | 385,431,000 |
| 24,998,752,352 | 20,659,853,690 |
| (6,611,565,014) | (3,302,797,470) |
| (964,278,126) | (1,433,628,025) |
| 5,048,641,936 | 10,876,788,480 |
| 9,120,726,298 | 13,305,270,623 |

Net cash flow from operating activities (a)

Cash Flows from Investing Activities

| |
|---|
| Purchase of government securities |
| Purchase of trading securities, shares, bonds, etc. |
| Purchase of property, plant and equipment |

| | |
|------------------------|------------------------|
| (3,630,127,191) | (5,185,261,479) |
| (835,644,329) | (2,247,552,513) |
| (461,907,563) | (480,225,476) |
| (4,927,679,083) | (7,913,039,468) |

Net cash used in investing activities (b)

Cash Flows from Financing Activities

| |
|---|
| Increase/(decrease) of long-term borrowings |
| Dividend paid |

| | |
|----------------------|----------------------|
| 30,357,603 | (200,966,829) |
| (178,010,131) | (317,188,484) |
| (147,652,528) | (518,155,313) |

Net cash (used in)/flow from financing activities (c)

| |
|---|
| Net increase in cash (a+b+c) |
| Effects of exchange rate changes on cash and cash equivalents |
| Cash and cash equivalents at beginning of the year |

| | |
|-----------------------|-----------------------|
| 4,045,394,687 | 4,874,075,842 |
| - | - |
| 16,727,865,994 | 11,853,790,152 |
| 20,773,260,681 | 16,727,865,994 |

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

(*) Cash and cash equivalents:

| |
|---|
| Cash |
| Prize bonds |
| Money at call and on short notice |
| Balance with Bangladesh Bank and its agent bank(s) |
| Balance with other banks and financial institutions |

| | |
|-----------------------|-----------------------|
| 1,231,720,759 | 997,917,256 |
| 5,019,400 | 5,319,300 |
| 3,671,790,000 | 665,830,000 |
| 8,391,165,655 | 8,363,586,338 |
| 7,473,564,867 | 6,695,213,100 |
| 20,773,260,681 | 16,727,865,994 |

Net operating cash flow per share

20.62

30.08

See annexed notes



M. Fazlur Rahman
Managing Director



Runa Zakia Shahrood Khan
Director

for AB Bank Limited



B. B. Saha Roy
Director



M. Wahidul Haque
Chairman

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 28 March 2013



S. F. AHMED & CO
Chartered Accountants

AB Bank Limited & Its Subsidiaries
Consolidated Statement of Changes in Equity
For the year ended 31 December 2012

| Particulars | Amount in Taka | | | | | | | | |
|---|----------------------|----------------------|--------------------|----------------------------|---|--------------------------------|---------------------|----------------------|-----------------------|
| | Paid-up capital | Statutory reserve | General reserve | Assets revaluation reserve | Foreign exchange revaluation reserve on investment in foreign operation | Investment revaluation reserve | Minority interest | Retained earnings | Total |
| Balance at 01 January 2012 | 3,686,113,900 | 4,390,197,275 | 121,667,832 | 1,335,395,306 | 93,314,389 | 15,334,585 | (14,862,916) | 5,369,629,897 | 14,996,790,269 |
| Adjustment | - | - | - | - | - | - | - | - | - |
| Dividend for 2011: | | | | | | | | | |
| 5 % cash dividend | - | - | - | - | - | - | - | (184,305,695) | (184,305,695) |
| 20% stock dividend (bonus shares) | 737,222,780 | - | - | - | - | - | - | (737,222,780) | - |
| Minority interest | - | - | - | - | - | - | (226,612) | - | (226,612) |
| Restated opening balance | 4,423,336,680 | 4,390,197,275 | 121,667,832 | 1,335,395,306 | 93,314,389 | 15,334,585 | (15,089,528) | 4,448,101,422 | 14,812,257,962 |
| Net profit after tax for the year | - | - | - | - | - | - | (5,141,410) | 1,466,950,435 | 1,461,809,025 |
| Addition/ (Adjustment) made during the year | - | 624,066,492 | - | (8,579,499) | - | 2,212,435 | - | (626,771,151) | (9,071,722) |
| Foreign exchange fluctuation | - | (8,948,966) | (1,574,400) | - | (24,954,077) | (700,497) | - | (26,546,176) | (62,724,116) |
| Balance at 31 December 2012 | 4,423,336,680 | 5,005,314,801 | 120,093,432 | 1,326,815,807 | 68,360,312 | 16,846,523 | (20,230,938) | 5,261,734,530 | 16,202,271,149 |
| Balance at 31 December 2011 | 3,686,113,900 | 4,390,197,276 | 121,667,832 | 1,335,395,305 | 93,314,389 | 15,334,585 | (14,862,916) | 5,369,629,897 | 14,996,790,269 |

for AB Bank Limited



M. Fazlur Rahman
Managing Director



Runa Zakia Shahrood Khan
Director



B. B. Saha Roy
Director



M. Wahidul Haque
Chairman

Signed in terms of our report of even date annexed



S. F. AHMED & CO
Chartered Accountants

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 28 March 2013

AB Bank Limited
Balance Sheet
 At 31 December 2012

| | | Amounts in Taka | |
|--------------------------------|--|----------------------|------------------------|
| Notes | At 31 Dec 2012 | At 31 Dec 2011 | |
| PROPERTY AND ASSETS | | | |
| Cash | | | |
| 3 | 9,622,840,530 | 9,361,445,769 | |
| | In hand (including foreign currencies) | 3.1 | 1,231,674,876 |
| | Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies) | 3.2 | 8,391,165,655 |
| | Balance with other banks and financial institutions | 4 | 8,877,073,955 |
| | In Bangladesh | | 5,616,079,788 |
| | Outside Bangladesh | | 3,260,994,166 |
| | Money at call and on short notice | 5 | 3,671,790,000 |
| | Investments | 6 | 26,114,787,647 |
| | Government | 6.1 | 19,743,454,873 |
| | Others | 6.2 | 6,371,332,773 |
| | Loans, advances and lease/investments | 7 | 106,065,758,923 |
| | Loans, cash credits, overdrafts, etc./Investments | 7.2 | 105,373,785,000 |
| | Bills purchased and discounted | 8 | 691,973,923 |
| | Fixed assets including premises, furniture and fixtures | 9 | 4,229,520,560 |
| | Other assets | 10 | 15,260,656,170 |
| | Non-banking assets | | - |
| | Total Assets | | 173,842,427,785 |
| LIABILITIES AND CAPITAL | | | |
| Liabilities | | | |
| | Borrowings from other banks, financial institutions and agents | 11 | 3,649,261,782 |
| | Deposits and other accounts | 12 | 140,025,953,891 |
| | Current accounts and other accounts | | 13,487,687,930 |
| | Bills payable | | 1,467,147,010 |
| | Savings bank deposits | | 14,860,539,427 |
| | Fixed deposits | | 80,452,713,916 |
| | Other deposits | | 29,757,865,608 |
| | Other liabilities | 13 | 14,133,406,241 |
| | Total Liabilities | | 157,808,621,915 |
| | Capital/Shareholders' Equity | | |
| | Total Shareholders' Equity | | 16,033,805,870 |
| | Paid-up capital | 14 | 4,423,336,680 |
| | Statutory reserve | 15 | 5,005,314,801 |
| | Other reserve | 16 | 1,446,253,561 |
| | Retained earnings | 17 | 5,158,900,828 |
| | Total Liabilities and Shareholders' Equity | | 173,842,427,785 |




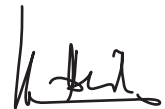
AB Bank Limited
Profit and Loss Statement
For the year ended 31 December 2012

Amounts in Taka

| | Notes | Year ended 31 Dec 2012 | Year ended 31 Dec 2011 |
|---|-------|---------------------------|---------------------------|
| OPERATING INCOME | | | |
| Interest income/profit on investments | 20 | 15,714,006,609 | 12,830,837,754 |
| Interest/profit paid on deposits and borrowings, etc. | 21 | (12,591,500,175) | (10,436,688,668) |
| Net interest income | | 3,122,506,434 | 2,394,149,086 |
| Investment income | 22 | 2,714,131,615 | 2,640,700,142 |
| Commission, exchange and brokerage | 23 | 2,461,270,850 | 2,213,022,264 |
| Other operating income | 24 | 137,035,990 | 494,874,188 |
| | | 5,312,438,455 | 5,348,596,594 |
| Total operating income (a) | | 8,434,944,888 | 7,742,745,680 |
| OPERATING EXPENSES | | | |
| Salary and allowances | 25 | 1,868,144,551 | 1,669,447,030 |
| Rent, taxes, insurance, electricity, etc. | 26 | 409,531,774 | 338,631,469 |
| Legal expenses | 27 | 10,107,729 | 5,071,404 |
| Postage, stamps, telecommunication, etc. | 28 | 139,037,732 | 104,803,234 |
| Stationery, printing, advertisement, etc. | 29 | 157,488,361 | 138,246,619 |
| Chief executive's salary and fees | | 8,683,734 | 9,786,518 |
| Directors' fees | 30 | 2,840,207 | 2,028,896 |
| Auditors' fees | 31 | 4,917,497 | 1,822,393 |
| Charges on loan losses | | - | - |
| Depreciation and repairs of Bank's assets | 32 | 378,519,215 | 348,624,906 |
| Other expenses | 33 | 1,092,645,976 | 812,078,775 |
| Total operating expenses (b) | | 4,071,916,777 | 3,430,541,244 |
| Profit before provision (c = a-b) | | 4,363,028,111 | 4,312,204,437 |
| Provision against loans and advances | 34 | 712,182,142 | 384,672,572 |
| Provision for diminution in value of investments | 35 | 376,400,000 | 940,140,693 |
| Other provisions | 36 | 84,160,000 | 30,000,000 |
| Total provision (d) | | 1,172,742,142 | 1,354,813,265 |
| Profit before taxation (c-d) | | 3,190,285,969 | 2,957,391,171 |
| Provision for taxation | | 1,751,748,156 | 1,629,407,467 |
| Current tax | | 1,708,291,302 | 1,649,283,593 |
| Deferred tax | | 43,456,854 | (19,876,126) |
| Net profit after taxation | | 1,438,537,814 | 1,327,983,704 |
| Appropriations | | | |
| Statutory reserve | | 624,066,492 | - |
| General reserve | | - | - |
| Dividends, etc. | | - | - |
| | | 624,066,492 | - |
| Retained surplus | | 814,471,322 | 1,327,983,704 |
| Earnings Per Share (EPS) | 38 | 3.25 | 3.00 |

See annexed notes

for AB Bank Limited

| | | | |
|---|---|--|---|
|  |  |  |  |
| M. Fazlur Rahman Managing Director | Runa Zakia Shahrood Khan Director | B. B. Saha Roy Director | M. Wahidul Haque Chairman |

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 28 March 2013


S. F. AHMED & CO
Chartered Accountants

AB Bank Limited
Cash Flow Statement
For the year ended 31 December 2012

Amounts in Taka

| | Notes | Year ended 31 Dec 2012 | Year ended 31 Dec 2011 |
|--|-------|---------------------------|---------------------------|
| Cash Flows from Operating Activities | | | |
| Interest receipts | | 15,326,694,925 | 12,830,837,754 |
| Interest payments | | (11,989,385,188) | (10,436,688,668) |
| Dividend receipts | | 428,296,844 | 552,926,524 |
| Fee and commission receipts | | 1,679,196,940 | 1,436,211,995 |
| Recoveries on loans previously written off | | 35,168,196 | 80,646,113 |
| Payments to employees | | (1,876,828,285) | (1,679,233,548) |
| Payments to suppliers | | (157,488,361) | (138,246,621) |
| Income taxes paid | | (1,548,936,383) | (1,596,080,231) |
| Receipts from other operating activities | 39 | 3,169,776,473 | 3,168,894,352 |
| Payments for other operating activities | 40 | (1,721,791,884) | (1,359,533,377) |
| | | 3,344,703,276 | 2,859,734,292 |
| Operating profit before changes in operating assets & liabilities | | | |
| Increase/decrease in operating assets and liabilities | | | |
| Loans and advances to customers | | (11,040,228,876) | (6,636,448,746) |
| Other assets | 41 | 565,680,945 | (112,710,282) |
| Deposits from other banks | | (1,518,308,927) | 385,431,000 |
| Deposits from customers | | 24,790,283,691 | 20,064,538,616 |
| Trading liabilities (short-term borrowings) | | (6,629,285,393) | (3,754,244,416) |
| Other liabilities | 42 | (364,695,728) | (217,879,038) |
| | | 5,803,445,713 | 9,728,687,134 |
| | | 9,148,148,989 | 12,588,421,426 |
| Net cash flow from operating activities (a) | | | |
| Cash Flows from Investing Activities | | | |
| Purchase of government securities | | (3,630,127,191) | (5,185,261,479) |
| Purchase of trading securities, shares, bonds, etc. | | (928,911,197) | (1,805,343,966) |
| Purchase of property, plant and equipment | | (459,656,732) | (181,723,162) |
| | | (5,018,695,120) | (7,172,328,606) |
| Net cash used in investing activities (b) | | | |
| Cash Flows from Financing Activities | | | |
| Increase/(decrease) of long-term borrowings | | 30,357,603 | (200,966,829) |
| Dividend paid | | (178,010,131) | (317,188,484) |
| | | (147,652,528) | (518,155,313) |
| Net cash flow from financing activities (c) | | | |
| Net increase in cash (a+b+c) | | 3,981,801,341 | 4,897,937,507 |
| Effects of exchange rate changes on cash and cash equivalents | | - | - |
| Cash and cash equivalents at beginning of the year | | 18,194,922,545 | 13,296,985,038 |
| Cash and cash equivalents at end of the year (*) | | 22,176,723,886 | 18,194,922,545 |
| (*) Cash and cash equivalents: | | | |
| Cash | | 1,231,674,876 | 997,859,431 |
| Prize bonds | | 5,019,400 | 5,319,300 |
| Money at call and on short notice | | 3,671,790,000 | 665,830,000 |
| Balance with Bangladesh Bank and its agent bank(s) | | 8,391,165,655 | 8,363,586,338 |
| Balance with other banks and financial institutions | | 8,877,073,955 | 8,162,327,476 |
| | | 22,176,723,886 | 18,194,922,545 |
| Net operating cash flow per share | | 20.68 | 28.46 |

See annexed notes

for AB Bank Limited



M. Fazlur Rahman
Managing Director



Runa Zakia Shahrood Khan
Director



B. B. Saha Roy
Director



M. Wahidul Haque
Chairman

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 28 March 2013



S. F. AHMED & CO
Chartered Accountants

AB Bank Limited
Statement of Changes in Equity
For the year ended 31 December 2012

| Particulars | Amount in Taka | | | | | | | |
|--|----------------------|----------------------|-------------------|----------------------------|---|--------------------------------|----------------------|-----------------------|
| | Paid-up capital | Statutory reserve | General reserve | Assets revaluation reserve | Foreign exchange revaluation reserve on investment in foreign operation | Investment revaluation reserve | Retained earnings | Total |
| Balance at 01 January 2012 | 3,686,113,900 | 4,390,197,275 | 42,199,200 | 1,335,395,306 | 92,344,704 | 15,334,585 | 5,291,115,537 | 14,852,700,507 |
| Adjustment | - | - | - | - | - | - | - | - |
| Bonus for 2011: | | | | | | | | |
| 5 % Cash dividend | - | - | - | - | - | - | (184,305,695) | (184,305,695) |
| 20% Stock dividend (bonus shares) | 737,222,780 | - | - | - | - | - | (737,222,780) | - |
| Restated opening balance | 4,423,336,680 | 4,390,197,275 | 42,199,200 | 1,335,395,306 | 92,344,704 | 15,334,585 | 4,369,587,062 | 14,668,394,812 |
| Net profit after taxation for the year ended | - | - | - | - | - | - | 1,438,537,814 | 1,438,537,814 |
| Addition/Adjustment made during the year | - | 624,066,492 | - | (8,579,499) | - | 2,212,435 | (625,451,446) | (7,752,018) |
| Foreign exchange fluctuation | - | (8,948,966) | - | - | (31,952,673) | (700,497) | (23,772,601) | (65,374,737) |
| Balance at 31 December 2012 | 4,423,336,680 | 5,005,314,801 | 42,199,200 | 1,326,815,807 | 60,392,031 | 16,846,523 | 5,158,900,828 | 16,033,805,870 |
| Balance at 31 December 2011 | 3,686,113,900 | 4,390,197,275 | 42,199,200 | 1,335,395,306 | 92,344,704 | 15,334,585 | 5,291,115,537 | 14,852,700,507 |

for AB Bank Limited



M. Fazlur Rahman
Managing Director



Runa Zakia Shahrood Khan
Director



B. B. Saha Roy
Director



M. Wahidul Haque
Chairman

Signed in terms of our report of even date annexed




S. F. AHMED & CO
Chartered Accountants

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 28 March 2013

AB Bank Limited
Liquidity Statement (Analysis of Maturity of Assets and Liabilities)
 At 31 December 2012

| Particulars | Maturity | | | | | Total |
|---|-----------------------|-------------------------|-------------------------|-----------------------|-----------------------|------------------------|
| | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Above 5 years | |
| Assets | | | | | | |
| Cash in hand & with Bangladesh Bank and its agent bank(s) | 2,152,140,530 | - | - | - | 7,470,700,000 | 9,622,840,530 |
| Balance with other banks and financial institutions | 3,443,145,577 | 2,374,216,779 | 3,059,711,599 | - | - | 8,877,073,955 |
| Money at call and on short notice | 3,471,790,000 | 200,000,000 | - | - | - | 3,671,790,000 |
| Investments | 1,636,249,245 | 5,029,646,577 | 778,522,750 | 4,049,530,324 | 14,620,838,750 | 26,114,787,646 |
| Loans and advances | 17,379,135,636 | 26,554,833,751 | 25,841,675,479 | 28,885,806,271 | 7,404,307,785 | 106,065,758,923 |
| Fixed assets including premises, furniture and fixtures | - | - | - | - | 4,229,520,559 | 4,229,520,560 |
| Other assets | 1,923,680,848 | 2,640,595,098 | 4,306,324,283 | - | 6,390,055,941 | 15,260,656,171 |
| Non-banking assets | - | - | - | - | - | - |
| Total Assets (A) | 30,006,141,836 | 36,799,292,205 | 33,986,234,112 | 32,935,336,595 | 40,115,423,036 | 173,842,427,785 |
| Liabilities | | | | | | |
| Borrowings from Bangladesh Bank, other banks, financial institutions and agents | 509,800,996 | 14,814,507 | 3,074,878,962 | 49,767,317 | - | 3,649,261,783 |
| Deposit and other accounts | 25,768,203,734 | 45,789,821,160 | 46,613,760,756 | 19,749,343,339 | 2,104,824,902 | 140,025,953,891 |
| Provision and other liabilities | 417,136,763 | 2,696,101,829 | 5,930,694,409 | 5,089,473,240 | - | 14,133,406,241 |
| Total Liabilities (B) | 26,695,141,493 | 48,500,737,496 | 55,619,334,128 | 24,888,583,896 | 2,104,824,902 | 157,808,621,915 |
| Net Liquidity Excess/(Shortage) (A-B) | 3,311,000,343 | (11,701,445,291) | (21,633,100,016) | 8,046,752,699 | 38,010,598,134 | 16,033,805,870 |


for AB Bank Limited


 M. Fazlur Rahman
 Managing Director


 B. B. Saha Roy
 Director


 M. Wahidul Haque
 Chairman

Signed in terms of our report of even date annexed


 S. F. AHMED & CO
 Chartered Accountants

House 25, Road 13A, Block D
 Banani, Dhaka 1213, Bangladesh
 Dated, 28 March 2013

AB Bank Limited

Notes to financial statements

For the year ended 31 December 2012

General

1.1 The Bank and its activities

AB Bank Limited (the Bank) is one of the first generation Private Commercial Banks (PCBs) incorporated in Bangladesh on 31 December 1981 as a public limited company under the Companies Act 1913, subsequently replaced by the Companies Act 1994, and is governed by the Banking Companies Act 1991. The Bank went for public issue of its shares on 28 December 1983 and its shares are listed with Dhaka Stock Exchange Ltd and Chittagong Stock Exchange Ltd. AB Bank Limited has 87 Branches including one (1) Islami Banking Branch, one (1) Overseas Branch in Mumbai, India. The Bank has six subsidiary companies namely AB Investment Limited, AB Securities Limited, Cashlink Bangladesh Limited, Arab Bangladesh Bank Foundation all incorporated in Bangladesh, AB International Finance Limited, incorporated in Hong Kong and AB Exchange (UK) Limited, incorporated in United Kingdom.

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

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

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

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

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

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

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

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

Presentation of the financial statements

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

AB Bank Limited

Notes to financial statements

For the year ended 31 December 2012

Consolidated financial statements and financial statements of the Bank were made as at 31 December 2012 and were prepared under the historical cost convention except investments categorised under held for trading and in accordance with Banking Companies Act 1991, BRPD circular no. 14 dated 25 June 2003, the Companies Act 1994, the Securities and Exchange Ordinance 1969, Securities and Exchange Rules 1987 and other laws and rules applicable for the Bank.

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

Basis of consolidation

Separate set of records for consolidating the financial statements of the Branches including Mumbai Branch, India, AB Investment Limited, AB Securities Limited, Cashlink Bangladesh Limited (CBL), AB International Finance Limited (ABIFL), Hong Kong and AB Exchange (UK) Limited are maintained at the Head Office of the Bank, based on which these financial statements have been prepared. The consolidated financial statements have been prepared in accordance with the BAS 27 "Consolidated and Separate Financial Statements". The Consolidated Financial Statements have been prepared to a common reporting period ending on 31 December 2012.

Mumbai Branch, India

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

Islami Banking Branch

Islami Banking Branch has been maintaining separate set of books and records for its operations following Bangladesh Bank guidelines. All assets-liabilities and income-expenses of this Branch have been incorporated in similar heads of account of the Bank's financial statements. Balance Sheet and Profit and Loss Statement of Islami Banking Branch is shown separately in **Annex G** as per Bangladesh Bank BRPD Circular No. 15 dated 09 November 2009. Distribution of profit under Islamic Banking Operation and fixation of final rate for the year 2012 has also been disclosed separately in **Annex H**.

Custodian Wing

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

Off-Shore Banking Unit (OBU)

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

Subsidiaries Operation

The financial statements of subsidiaries (except Arab Bangladesh Bank Foundation-ABBF) have been consolidated following BAS 27 "Consolidated and Separate Financial Statements". ABBF operated only for philanthropic purpose and its profit is not distributable to the shareholders. Thus, for ensuring the fair presentation of the Financial Statements of the Parent Company (the Bank), the Financial Statements of ABBF has not been consolidated.

AB Investment Limited (ABIL)

AB Investment Limited (ABIL) started its operation from 10 March 2010 for Merchant Banking Operation. AB Bank Limited holds 99.99% shares in ABIL. The Balance Sheet and Profit and Loss Statement of the ABIL have been shown separately in **Annex K**.

AB Bank Limited

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For the year ended 31 December 2012

AB Securities Limited (ABSL)

Brokerage business of Arab Bangladesh Bank Foundation has been transferred to AB Securities Limited (ABSL) vide Bangladesh Bank approval letter BRPD(R-1)717/2009-493 dated 08 November 2009. AB Bank Limited at present holds 99.71% shares in ABSL. The Balance Sheet and Profit and Loss Statement of the ABSL have been shown separately in **Annex L**.

Cashlink Bangladesh Limited (CBL)

Cashlink Bangladesh Limited (CBL) was incorporated on 24 September 2008 with an authorised capital of Taka 1,000,000,000 divided into 100,000,000 ordinary shares of Taka. 10 each. AB Bank Limited acquired 30% shares of CBL during this year. The Bank at present holds 90% shares in CBL. The Balance Sheet and Profit and Loss Statement of the CBL have been shown separately in **Annex M**.

AB International Finance Limited (ABIFL)

AB International Finance Limited (ABIFL) is a company incorporated in Hong Kong. Its registered office and principal place of business is situated at Unit 1201-B, 12/F, Admiralty Centre, Tower One, 18 Harcourt, Hong Kong. The Balance Sheet and Profit and Loss Statement of the ABIFL have been shown separately in **Annex N**.

AB Exchange (UK) Limited

AB Exchange (UK) Limited (ABEL) is a company incorporated and domiciled in United Kingdom (UK) vide registration no. 07272766 (England & Wales). The registered office is situated at 69 Whitechapel High Street, London, E1 7PL. ABEL is a fully owned (100%) Subsidiary of AB Bank Limited. The Balance Sheet and Profit and Loss Statement of the ABEL have been shown separately in **Annex O**.

Arab Bangladesh Bank Foundation (ABBF)

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

Use of estimates and judgments

The preparation of consolidated financial statements and financial statements of the Bank required management to make judgments, estimates and assumptions that affected the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions have been reviewed considering business realities. Revisions of accounting estimates have been recognised in the period in which the estimates have been revised and in the future periods affected, if applicable.

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

Materiality, aggregation and offsetting

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

Foreign currency transactions

Functional and presentational currency

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

Foreign currency translation

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

AB Bank Limited

Notes to financial statements

For the year ended 31 December 2012

Assets and liabilities in foreign currencies as at 31 December 2012 have been converted into Taka currency at the average of the prevailing buying and selling rates of the relevant foreign currencies at that date except "balances with other banks and financial institutions" which have been converted as per directives of Bangladesh Bank vide its circular no. BRPD (R) 717/2004-959 dated 21 November 2004.

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

Commitment

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

Translation gain and losses

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

Foreign operations

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

- assets and liabilities for each statement of Balance Sheet have been translated at the closing rate on the date of Balance sheet.
- income and expenses for Profit and Loss Statement have been translated at an monthly average rate of the year; and
- all resulting exchange differences have been recognized as a separate components of equity.

Cash flow statement

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

Statement of changes in equity

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

Liquidity statement

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

| Particulars | Basis |
|---|--------------------------------------|
| Balance with other banks and financial institutions | Maturity term |
| Investments | Respective maturity terms |
| Loans and advances | Repayment schedule basis |
| Fixed assets | Useful life |
| Other assets | Realization/ amortization basis |
| Borrowing from other banks, financial institutions and agents | Maturity/ repayments terms |
| Deposits and others accounts | Maturity term/ Previous trend |
| Other liabilities | Payments/ adjustments schedule basis |

1.3 Assets and basis of their valuation

Cash and cash equivalents

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

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

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

Loans and advances

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

| Types of loans and advances | | General Provision | | Specific Provision | | |
|--|--|-------------------|-----|--------------------|-----|------|
| | | UC | SMA | SS | DF | BL |
| Consumer | House building and professionals to setup business | 2% | 5% | 20% | 50% | 100% |
| | Other than housing finance & professionals to setup business | 5% | 5% | 20% | 50% | 100% |
| Provision for loan to brokerage house, merchant banks, stock dealers | | 2% | 5% | 20% | 50% | 100% |
| Short-term agri-credit and micro credit | | 5% | 5% | 5% | 5% | 100% |
| Small and medium enterprise finance | | 0.25% | 5% | 20% | 50% | 100% |
| Other advances | | 1% | 5% | 20% | 50% | 100% |
| Off balance sheet items | | 1% | - | - | - | - |

Investment

Investments have been initially recognised at cost, including acquisition charges associated with the investment. Premiums have been amortised and discount accredited, using the effective or historical yield method. Government Treasury Bills and Bonds (categorized as HFT or/and HTM) are accounted for as per Bangladesh Bank DOS circular letter no. 05 dated 26 May 2008 and DOS circular no. 05 dated 28 January 2009.

The valuation methods of investment used are:

Government securities

Held to maturity (HTM)

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

Held for trading (HFT)

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

Value of investments has been enumerated as follows:

| Investment class | Initial recognition | Measurement after initial recognition | Recording of changes |
|----------------------------|---------------------|---------------------------------------|--|
| Treasury Bill / Bond (HFT) | Cost | Market value | Loss to profit and loss statement (P&L), gain to revaluation reserve |
| Treasury Bill / Bond (HTM) | Cost | Amortised value | Increase in value to equity and decrease in value to P&L |
| Debenture | Face value | None | None |
| Prize bond | Cost | None | None |
| Shares | Cost | Lower of cost and market value | Any loss, charged in P&L Unrealized gain, not recognize in accounts |

AB Bank Limited

Notes to financial statements

For the year ended 31 December 2012

Investment in listed securities

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

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

Investment in unlisted securities

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

Investments in subsidiary

Investment in subsidiary is accounted for under the cost method of accounting in the Bank's financial statements in accordance with the BAS 27 "Consolidated and Separate Financial Statements" and BFRS 3 "Business Combination".

Fixed assets

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

| <u>Category of asset</u> | <u>Rate of depreciation</u> |
|-----------------------------|-----------------------------|
| Land | Nil |
| Building | 2.5% |
| Furniture and fixtures | 10% |
| Electrical appliances | 20% |
| Motor vehicles | 20% |
| Leasehold assets - vehicles | 20% |

iv. Depreciation on fixed assets acquired during the year is charged from the month of their acquisition. Full month's depreciation is charged in the month of addition irrespective of the date of acquisition and no depreciation is charged in the month of their disposal.

v. The cost and accumulated depreciation of disposed assets are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the profit and loss statement.

vi. Useful lives and method of depreciation of fixed assets are reviewed periodically. If useful lives of assets do not differ significantly as these were previously estimated, revaluation of assets does not consider to be done.

vii. Bank capitalised items value of which is over Taka 50,000 and the items below Taka 50,000 were booked as non-capitalised items under the broader head of other expenses with effect from 01 March 2009 in accordance with the relevant policy of the Bank.

viii. Bank also follows a policy for amortisation of expenditure considering the durability and useful lives of items. These are treated as intangible assets and are booked under the head "Fixed Assets" and amortised over their estimated useful lives by charging under the broad head "Depreciation".

Intangible assets

An intangible asset is recognised if-

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

AB Bank Limited

Notes to financial statements

For the year ended 31 December 2012

Other assets

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

Leasing

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

Bank as lessee

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

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

Bank as lessor

The Bank did not grant any lease finance.

Stock of stationery

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

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

Share capital

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

Statutory reserve

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

Revaluation reserve

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

Deposits and other accounts

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

Borrowing

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

Provision for taxation

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

Current Tax

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

Provision for current income tax has been made @ 42.5% on the accounting profit made by the Bank after considering taxable allowances and disallowances as per income tax laws applicable for the Bank.

AB Bank Limited

Notes to financial statements

For the year ended 31 December 2012

Deferred Tax

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

The impact on the account of changes in the deferred tax assets and liabilities has also been recognized in the Profit and Loss Statement as per BAS-12 "Income Taxes" (note 13.3).

Retirement benefits to the employees

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

Provident fund

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

Staff gratuity

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

Superannuation fund

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

Provision for liabilities

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

AB Bank Limited

Notes to financial statements

For the year ended 31 December 2012

No provision is recognised for any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank, or any present obligation that arises from past events and it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or a reliable estimates of the amount of obligation cannot be made.

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

Provision for nostro accounts

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

Minority Interest

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

As per BAS 27 'Consolidated and Separate Financial Statements' Bank presents Minority Interest separately in financial statements.

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

1.5 Revenue recognition

Interest income

According to the BAS 18 "Revenue", the interest income is recognised on accrual basis. Interest on loans and advances ceases to be taken into income when such advances are classified or treated as SMA as per BRPD circular no. 05 dated 05 June 2006 and is kept in interest suspense account. Interest on classified advances is accounted for as income when realised.

Profit on investment (Islami Banking Branch)

Profit on investment is taken into income account from profit receivable account. Overdue charges/ compensation on classified investment is transferred to profit suspense/ compensation receivable account instead of income account.

Investment income

Interest income on investments is recognised on accrual basis except treasury bills. Capital gains on investments in shares are also included in investment income. Capital gains are recognized when these are realised.

Fees and commission income

Fees and commission income on services provided by the Bank are recognised as and when the services are rendered. Commission charged to customers on letters of credit and letters of guarantee are credited to income at the time of affecting the transactions.

Dividend income on shares

As per BAS 18 "Revenue", dividend income from investment in shares is recognised when the Bank's right to receive dividend is established. It recognised when:

- a. it is probable that the economic benefits associated with the transaction will flow to the entity; and
- b. the amount of the revenue can be measured reliably.

Interest paid on deposits and borrowings

Interest paid on deposits, borrowings, etc is accounted for on accrual basis according to the BAS 1 "Presentation of Financial Statements".

AB Bank Limited

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For the year ended 31 December 2012

Profit paid on deposits (Islami Banking Branch)

Profit paid to different Mudaraba depositors is recognised on accrual basis as per provisional rate. However, the final rate of profit is determined and to be paid to the depositors as per **Annex H**.

Other operating expenses

All other operating expenses are provided for in the books of the account on accrual basis according to the BAS 1 "Presentation of Financial Statements".

1.6 Reconciliation of books of account

Books of account with regard to inter-bank (in Bangladesh and outside Bangladesh) and inter-branch transactions are reconciled and no material difference was found which may affect the financial statements significantly. There exist no un-reconciled items in NOSTRO accounts as at 31 December 2012.

1.7 Earnings per share

Basic earnings per share

Basic earnings per share have been calculated in accordance with BAS 33 "Earnings per Share" which has been shown in the face of the Profit and Loss Statement. This has been calculated by dividing the basic earnings by the total ordinary outstanding shares. EPS of previous was restated giving effect of issue of bonus shares for 2011.

Diluted earnings per share

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

1.8 Off-balance sheet items

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

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

1.9 Memorandum items

Memorandum items are maintained for those items for which the Bank has only a business responsibility and no legal commitment. Stock of traveller's cheques, value of savings certificates (sanchaya patra), etc fall under the memorandum items.

1.10 Reporting period

These financial statements cover calendar year ended 31 December 2012. Segmental reporting period shown in below:

| SI no. | Name of the entity/segment | Reporting period |
|--------|----------------------------------|-------------------------------------|
| 1 | AB Bank Limited | 01 January 2012 to 31 December 2012 |
| 2 | Off Shore Banking Unit | 01 January 2012 to 31 December 2012 |
| 3 | Mumbai Branch, India | 01 January 2012 to 31 December 2012 |
| 4 | AB Investment Limited | 01 January 2012 to 31 December 2012 |
| 5 | AB Securities Limited | 01 January 2012 to 31 December 2012 |
| 6 | Cashlink Bangladesh Limited | 01 January 2012 to 31 December 2012 |
| 7 | AB International Finance Limited | 01 January 2012 to 31 December 2012 |
| 8 | AB Exchange (UK) Limited | 01 January 2012 to 31 December 2012 |
| 9 | Arab Bangladesh Bank Foundation | 01 January 2012 to 31 December 2012 |

AB Bank Limited

Notes to financial statements

For the year ended 31 December 2012

1.1.1 Segment Reporting

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

By Geographical Location & Segment Business Balance Sheet

| Particulars | AB Bank Limited | | | | | | Subsidiaries | | | | Adjustment | AB Bank & its subsidiaries | |
|--|------------------------|----------------------|----------------------|-----------------------|--------------------|------------------------|-----------------------|----------------------|---------------------------------|-----------------------|----------------------|----------------------------|----------------------------------|
| | Inside Bangladesh | | | India (Mumbai Branch) | OBU | Total | Inside Bangladesh | | Cash Link Bangladesh Ltd. (CBL) | AB Exchange (UK) Ltd. | | | AB Int. Finance Ltd. (Hong Kong) |
| | Conventional Banking | Islamic Banking | Investment Banking | | | | AB Investment Limited | AB Securities Ltd. | | | | | |
| Cash | 9,488,141,906 | 129,226,727 | - | 5,471,897 | - | 9,622,840,530 | 25,000 | 13,727 | 7,155 | - | - | - | 9,622,886,412 |
| Balance with other banks and financial institutions | 3,036,878,398 | 5,502,843,390 | - | 631,949,249 | 3,994,075 | 8,877,073,955 | 586,494 | 117,287,732 | 5,662,854 | 4,387,182 | 41,332,012 | (1,572,775,362) | 7,473,564,867 |
| Money at call and on short notice | 3,300,000,000 | - | - | 371,790,000 | - | 3,671,790,000 | - | - | - | - | - | - | 3,671,790,000 |
| Investments | 20,515,378,910 | 109,800,000 | 5,080,191,111 | 439,337,625 | - | 26,114,787,647 | 740,381,828 | 67,495,079 | 26,932,725 | - | - | - | 26,949,597,279 |
| Loans and advances | 102,383,925,705 | 2,453,338,923 | - | 580,834,460 | 647,659,835 | 106,065,758,923 | 7,585,189,288 | 1,073,788,194 | - | 1,659,285,813 | (2,721,036,520) | 113,662,985,698 | |
| Fixed assets | 4,195,322,317 | 13,002,579 | 4,390,856 | 16,804,807 | - | 4,229,520,560 | 551,947,945 | 17,883,535 | 58,522,794 | 10,571,829 | 503,238 | - | 4,868,649,902 |
| Other assets | 20,323,378,777 | 144,682,075 | 29,218,806 | 458,037,106 | 6,956,521 | 15,860,656,170 | 235,544,527 | 107,900,318 | 23,287,654 | 1,350,208 | 9,249,425 | (6,370,150,448) | 9,267,837,854 |
| Non-banking assets | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Assets | 163,243,026,013 | 8,352,893,694 | 5,113,800,774 | 2,504,225,145 | 658,610,431 | 173,842,427,785 | 9,113,675,082 | 1,384,068,585 | 114,413,183 | 16,319,219 | 1,710,370,488 | (10,663,962,330) | 175,517,312,012 |
| LIABILITIES AND CAPITAL | | | | | | | | | | | | | |
| Liabilities | | | | | | | | | | | | | |
| Borrowings from other banks, financial institutions and agents | 259,539,587 | 3,000,800,000 | - | 632,749,606 | - | 3,649,261,782 | 2,565,203,769 | 247,970,830 | 343,241,028 | - | 1,455,596,450 | (4,144,291,698) | 4,116,982,162 |
| Deposits and other accounts | 138,573,323,797 | 5,341,843,049 | 432 | 1,236,242,701 | 5,613,397 | 140,025,953,891 | - | - | - | - | - | (117,910,184) | 139,908,043,707 |
| Other liabilities | 13,957,109,162 | 10,250,645 | 5,113,800,342 | 20,247,428 | 20,247,428 | 14,133,405,241 | 891,700,018 | 727,117,393 | 18,581,007 | 13,260,338 | 65,932,526 | (59,982,519) | 15,290,014,994 |
| Total Liabilities | 147,869,972,546 | 8,352,893,694 | 5,113,800,774 | 1,444,663,419 | 658,610,431 | 157,808,621,915 | 3,456,903,787 | 975,088,213 | 361,822,035 | 13,260,338 | 1,521,528,976 | (4,822,184,401) | 159,315,040,863 |
| Total Shareholders' Equity | 15,453,053,467 | - | - | 1,059,561,726 | - | (478,809,323) | 5,656,771,295 | 408,980,372 | (247,408,852) | 3,058,881 | 188,841,512 | (5,821,546,992) | 16,222,502,087 |
| Minority Interest | - | - | - | - | - | - | - | - | - | - | - | (20,230,938) | (20,230,938) |
| Total Liabilities and Shareholders' Equity | 163,243,026,013 | 8,352,893,694 | 5,113,800,774 | 2,504,225,145 | 658,610,431 | 173,842,427,785 | 9,113,675,082 | 1,384,068,585 | 114,413,183 | 16,319,219 | 1,710,370,488 | (10,663,962,330) | 175,517,312,012 |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

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

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

| SI No. | Name of BAS | No. of BAS | Status |
|--------|--|------------|----------|
| 1 | Presentation of Financial Statements | 1 | Complied |
| 2 | Inventories | 2 | Complied |
| 3 | Statement of Cash Flows | 7 | Complied |
| 4 | Accounting Policies, Changes in Accounting Estimates and Errors | 8 | Complied |
| 5 | Events after the Reporting Period | 10 | Complied |
| 6 | Construction Contracts | 11 | Complied |
| 7 | Income Taxes | 12 | Complied |
| 8 | Property, Plant and Equipment | 16 | Complied |
| 9 | Leases | 17 | Complied |
| 10 | Revenue | 18 | Complied |
| 11 | Employee Benefits | 19 | Complied |
| 12 | Accounting for Government Grants and Disclosure of Government Assistance | 20 | N/A |
| 13 | The Effects of Changes in Foreign Exchanges Rates | 21 | Complied |
| 14 | Borrowing Costs | 23 | Complied |
| 15 | Related Party Disclosures | 24 | Complied |
| 16 | Accounting and Reporting by Retirement Benefit Plans | 26 | Complied |
| 17 | Consolidated and Separate Financial Statements | 27 | Complied |
| 18 | Investments in Associates | 28 | Complied |
| 19 | Interests in Joint Ventures | 31 | Complied |
| 20 | Financial Instruments: Presentation | 32 | * |
| 21 | Earnings Per Share | 33 | Complied |
| 22 | Interim Financial Reporting | 34 | Complied |
| 23 | Impairment of Assets | 36 | Complied |
| 24 | Provisions, Contingent Liabilities and Contingent Assets | 37 | Complied |
| 25 | Intangible Assets | 38 | Complied |
| 26 | Financial Instruments: Recognition and Measurement | 39 | * |
| 27 | Investment Property | 40 | Complied |
| 28 | Agriculture | 41 | N/A |

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

| SI No. | Name of the BFRS | No. of BFRS | Status |
|--------|--|-------------|----------|
| 1 | First-time Adoption of International Financial Reporting Standards | 1 | N/A |
| 2 | Share Based Payment | 2 | N/A |
| 3 | Business Combinations | 3 | Complied |
| 4 | Insurance Contracts | 4 | N/A |
| 5 | Non-Current Assets Held for Sale and Discontinued Operations | 5 | N/A |
| 6 | Exploration for and Evaluation of Mineral Resources | 6 | N/A |
| 7 | Financial Instruments: Disclosures | 7 | * |
| 8 | Operating Segments | 8 | Complied |

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

AB Bank Limited

Notes to financial statements

For the year ended 31 December 2012

1.13 Regulatory and legal compliance

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

- i. The Banking Companies Act 1991
- ii. The Companies Act 1994
- iii. Rules, regulations and circulars issued by the Bangladesh Bank from time to time
- iv. The Securities and Exchange Rules 1987
- v. The Securities and Exchange Ordinance 1969
- vi. The Securities and Exchange Commission Act 1993
- vii. The Securities and Exchange Commission (Public Issues) Rules 2006
- viii. The Income Tax Ordinance 1984 and Rules
- ix. The Value Added Tax (VAT) 1991 and Rules
- x. Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE) and Central Depository Bangladesh Limited (CDBL) rules and regulations.

1.14 Risk management

Risk is defined as uncertainties resulting in adverse variation of profitability or in losses, financial or otherwise. The risk management of the Bank covers core risk areas of banking viz, credit risk, liquidity risk, market risk that includes foreign exchange risk, interest rate risk, equity risk, operational risk and reputation risk. The objective of the risk management is that the Bank evaluates and takes well calculative business risks and thereby safeguarding 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:

Credit risk

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

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

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

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

Operational risk

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

AB Bank Limited

Notes to financial statements

For the year ended 31 December 2012

Market risk

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

Foreign exchange risk

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

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

Interest rate risk

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

Equity position risk

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

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 Financial Institution and Treasury (FIT) Division under approved policy guidelines. FIT front office is supported by a very structured Mid Office and Back Office. The liquidity management is monitored by Asset Liability Committee (ALCO) on a regular basis. A written contingency plan is in place to manage extreme situation.

Risk arising from money laundering

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

1.15 Environment Risk Management (ERM)

Bangladesh Bank issued Guidelines on Environment Risk Management (ERM) to streamline solutions for managing the environmental risks in the financial sector—Ref: BRPD Circular No.01/2011 dated 30 January, 2011 and BRPD Circular no.02 dated 27 February, 2011 respectively. Bank accordingly introduced the Guideline on Environment Risk Management on June 15, 2011. These ERM guidelines are an attempt to incorporate the environmental impact of a business into the lending process, so that the environment gets due consideration in the appraisal process.

AB Bank Limited

Notes to financial statements

For the year ended 31 December 2012

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

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

1.16 Credit Rating of the Bank

Credit rating of the Bank in last four years are:

| Year | Date of Rating | Long term | Short term |
|-----------------|----------------|-----------|------------|
| Jan to Dec 2011 | 21 June 2012 | AA3 | ST-2 |
| Jan to Dec 2010 | 26 May 2011 | AA3 | ST-2 |
| Jan to Dec 2009 | 15 June 2010 | AA3 | ST-1 |
| Jan to Dec 2008 | 24 May 2009 | A1 | ST-2 |

1.17 Events after Reporting Period

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

- (a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and
- (b) those that are indicative of conditions that arose after the reporting period (no adjusting events after the reporting period).

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

1.18 Related party disclosures

A party is related to the company if:

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

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

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

b) Related party transactions:

| Name of related party | Relationship | Nature of transaction | Amount in Taka |
|--------------------------------|---|-----------------------|----------------|
| Hyundai Motors Bangladesh Ltd. | Common Director | Repair & Maintenance | 2,536,738 |
| Elite International Ltd. | Common Director | Rent of warehouse | 817,500 |
| Deundi Tea Co. (UK) Ltd. | Chairman of the Bank and MD of Deundi Tea Co. (UK) Ltd. | Rent of warehouse | 60,000 |
| Pacific Motors Limited | Common Director | Repair & Maintenance | 4,305,327 |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

1.19 Audit Committee of the Board of Directors

i) Particulars of Audit Committee

The Audit Committee of the Board was duly constituted by the Board of Directors of the Bank in accordance with the BRPD Circular No. 08 dated 19 June 2011 issued by Bangladesh Bank. The Committee was formed comprising 5 (five) members of the Board.

| SI no. | Name | Status with Bank | Status with Committee | Duration | Educational/ Professional Qualification |
|--------|------------------------------|------------------|-----------------------|-----------------------------------|---|
| 1 | Mr. Shishir Ranjan Bose, FCA | Director | Chairman | With effect from 16 July 2008 | Fellow of Chartered Accountants |
| 2 | Mr. M. Wahidul Haque | Chairman | Member | With effect from 04 February 2008 | B.A., LLB |
| 3 | Mr. Salim Ahmed | Vice-Chairman | Member | With effect from 16 July 2008 | B.A. (Hons.), M.A. (History) |
| 4 | Mr. M.A. Awal | Director | Member | With effect from 12 July 2011 | B.Com. |
| 5 | Mr. Syed Afzal Hasan Uddin | Director | Member | With effect from 12 July 2011 | Barrister-at-Law |

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

ii) Meeting held with Audit Committee

During the year 2012, the Audit Committee conducted ten (10) meetings in which, among others, the following issues were reviewed and discussed:

- comprehensive inspection report of Bangladesh Bank including status of compliance thereof;
- inspection reports of branches/Head Office conducted by Bank's internal inspection team;
- financial statements of the Bank;
- quarterly and half-yearly accounts of the Bank for the year 2012; and
- review of the financial statements of the subsidiary companies; and
- status of compliance of different rules and regulations.

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

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

1.20 Shariah Council

Members of AB Bank Shariah Supervisory Committee are as under:

| SI no. | Name | Status with the Committee | Educational/ Professional Qualification |
|--------|--|---------------------------|---|
| 1 | Mr. Shah Abdul Hannan | Chairman | Masters in Political Science from Dhaka University & Scholar of Islamic Studies |
| 2 | Mr. M. Azizul Huq | Vice-Chairman | M.A (Economics) Dhaka University & Scholar of Islamic Banking. |
| 3 | Dr. Md. Harun Rashid | Member | M.A, M. Phil PhD Aligor University, India. Islamic Law (1st class) Dewband, India. Fazel-E-Dewband (1st class) Dewband, India. |
| 4 | Mr. Muhammad Musa | Member | Kamil: Madrasah Education Board, Dhaka. B.Com. (Hons.) & M.Com Dhaka University. Prominent author and research scholar in Quran & Hadith. |
| 5 | Mr. M. Wahidul Haque Chairman, BoD, ABBL | Member | BA, LLB |
| 6 | Mr. M. Fazlur Rahman President & MD, ABBL | Member | B.COM, MBA & FCA |
| 7 | Mr. Mukhlesur Rahman | Member Secretary | Kamil: Madrasah Education Board, Dhaka, B.A (Hons) & M.A in Islamic Studies, Dhaka University. Higher Diploma in Arabic Language, Dhaka University. |

AB Bank Limited

Notes to financial statements

For the year ended 31 December 2012

During the year 2012, the AB Bank Shariah Supervisory Committee met in 3 (three) meetings. Its Standing Committee also met in 1(one) meeting. In those meetings different issues were discussed and prudent guidance/opinion were given among which the important ones are as under:

- Reviewing the Shariah Audit 2011 of Islami Banking Branch and its observations.
- Reviewing the Shariah Audit January 1 to June 30, 2012 of Islami Banking Branch and its observations.
- Advising transfer of profit of Islamic Banking Branch to HO on yearly basis in lieu of monthly basis.
- Approving the Final Account 2011 of AB Bank Islami Banking Branch.

2. General

- i. Figures relating to the previous year included in this report have been rearranged, wherever considered necessary, to make them comparable with those of the current year without, however, creating any impact on the operating result and value of assets and liabilities as reported in the financial statements for the current year.
- ii. Figures in these notes and in the annexed financial statements have been rounded off to the nearest Taka.
- iii. These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

| | Amounts in Taka | |
|---|----------------------|----------------------|
| | At 31 Dec 2012 | At 31 Dec 2011 |
| Balance Sheet | | |
| 3. Cash | | |
| Cash in hand (Note: 3.1) | 1,231,674,876 | 997,859,431 |
| Balance with Bangladesh Bank and its agent bank(s) (Note: 3.2) | 8,391,165,655 | 8,363,586,338 |
| | 9,622,840,530 | 9,361,445,769 |
| 3(a) Consolidated Cash | | |
| AB Bank Limited | 9,622,840,530 | 9,361,445,769 |
| AB Investments Limited | 25,000 | 25,000 |
| AB International Finance Limited | - | - |
| AB Securities Limited | 13,727 | 17,066 |
| Cash Link Bangladesh Limited (CBL) | 7,155 | 15,759 |
| AB Exchange (UK) Ltd. | - | - |
| | 9,622,886,412 | 9,361,503,594 |
| 3.1 Cash in hand | | |
| In local currency | 1,209,413,399 | 980,407,006 |
| In foreign currency | 22,261,477 | 17,452,425 |
| | 1,231,674,876 | 997,859,431 |
| 3.1(a) Consolidated Cash in hand | | |
| AB Bank Limited | 1,231,674,876 | 997,859,431 |
| AB Investments Limited | 25,000 | 25,000 |
| AB International Finance Limited | - | - |
| AB Securities Limited | 13,727 | 17,066 |
| Cash Link Bangladesh Limited (CBL) | 7,155 | 15,759 |
| AB Exchange (UK) Ltd. | - | - |
| | 1,231,720,758 | 997,917,256 |
| 3.2 Balance with Bangladesh Bank and its agent bank(s) | | |
| Balance with Bangladesh Bank | | |
| In local currency | 7,688,919,749 | 6,846,122,693 |
| In foreign currency | 324,610,156 | 1,037,168,511 |
| | 8,013,529,905 | 7,883,291,204 |
| Sonali Bank Limited (as an agent bank of Bangladesh Bank) - local currency | 377,635,750 | 480,295,134 |
| | 8,391,165,655 | 8,363,586,338 |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

Amounts in Taka

3.2.1 Balance with Bangladesh Bank- local currency

| | At 31 Dec 2012 | At 31 Dec 2011 |
|-----------------------------|----------------------|----------------------|
| Balance as per Bank Ledger | 7,688,919,749 | 6,846,122,693 |
| Unresponded debit entries: | 58,110,442 | 115,994,086 |
| Bangladesh Bank statement | 15,610,442 | 2,994,086 |
| AB Bank's ledger | 42,500,000 | 113,000,000 |
| Unresponded credit entries: | 129,379,251 | 798,225 |
| Bangladesh Bank statement | 24,559,079 | 258,225 |
| AB Bank's ledger | 104,820,172 | 540,000 |
| | 7,760,188,558 | 6,730,926,832 |

Bangladesh Bank Account represents outstanding transactions (net) originated but yet to be responded at the Balance Sheet date. However the status of unresponded entries as of 31.12.2012 is given below:

| Period of Unreconciliation | Number of unresponded entry | | Unresponded amount | |
|---------------------------------|-----------------------------|-----------|--------------------|--------------------|
| | Dr. | Cr. | Dr. | Cr. |
| Less than 3 months | 16 | 14 | 57,520,926 | 129,189,251 |
| 3 months to less than 6 months | | | | |
| 6 months to less than 12 months | | | | |
| 12 months and more | 2 | 1 | 589,516 | 190,000 |
| Total | 18 | 15 | 58,110,442 | 129,379,251 |

3.2.2 Balance with Bangladesh Bank-Foreign currency

| | | |
|---|--------------------|----------------------|
| Balance as per Bank Ledger | 324,610,156 | 1,037,168,511 |
| Unresponded debit entries: | 1,164,508 | - |
| Bangladesh Bank statement | 399,250 | - |
| AB Bank's ledger | 765,258 | - |
| Unresponded credit entries: | 187,825,274 | 84,025,290 |
| Bangladesh Bank statement | 38,284,888 | 11,979,471 |
| AB Bank's ledger | 149,540,386 | 72,045,819 |
| Balance as per Bangladesh Bank Statement | 511,270,922 | 1,121,193,801 |

Bangladesh Bank Account represents outstanding transactions (net) originated but yet to be responded at the Balance sheet date. However the status of unresponded entries as of 31.12.2012 is given below:

| Period of Unreconciliation | Number of unresponded entry | | Unresponded amount | |
|---------------------------------|-----------------------------|------------|--------------------|--------------------|
| | Dr. | Cr. | Dr. | Cr. |
| Less than 3 months | 3 | 164 | 1,164,508 | 187,150,486 |
| 3 months to less than 6 months | - | 2 | - | 168,479 |
| 6 months to less than 12 months | - | 16 | - | 497,472 |
| 12 months and more | - | 1 | - | 8,838 |
| Total | 3 | 183 | 1,164,508 | 187,825,274 |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

| | Amounts in Taka | |
|---|----------------------|----------------------|
| | At 31 Dec 2012 | At 31 Dec 2011 |
| 3.2(a) Consolidated Balance with Bangladesh Bank and its agent bank(s) | | |
| AB Bank Limited | 8,391,165,655 | 8,363,586,338 |
| AB Investments Limited | - | - |
| AB International Finance Limited | - | - |
| AB Securities Limited | - | - |
| Cash Link Bangladesh Limited (CBL) | - | - |
| AB Exchange (UK) Ltd. | - | - |
| | 8,391,165,655 | 8,363,586,338 |

3.3 Statutory deposits
Conventional Banking (Inside Bangladesh)

Cash Reserve Requirement and Statutory Liquidity Ratio

Cash reserve requirement and statutory liquidity ratio have been calculated and maintained in accordance with section 33 of the Banking Companies Act 1991 and Bangladesh Bank MPD's subsequent circular nos. 04 and 05 dated 01 December 2010.

The statutory cash reserve requirement is on the Bank's time and demand liabilities at the rate of 6% and has been calculated and maintained with Bangladesh Bank in current account while statutory liquidity ratio of 19% is required, including cash reserve requirement, on the same liabilities is also maintained in the form of treasury bills, bonds and debentures including foreign currency balance with Bangladesh Bank. Both the reserves are maintained by the Bank in excess of the statutory requirements, as shown below:

(a) Cash Reserve Requirement (CRR)

As per Bangladesh Bank MPD Circular No. 04 dated December 1, 2010, Bank has to maintain CRR @ 6 % on fortnightly cumulative average basis and a minimum CRR @ 5.5 % on daily basis.

| | Amounts in Taka | |
|---|--------------------|--------------------|
| | At 31 Dec 2012 | At 31 Dec 2011 |
| i. Daily Position as on the reporting date | | |
| Required reserve | 7,470,664,500 | 6,275,015,890 |
| Actual reserve maintained | 7,667,490,512 | 6,740,366,828 |
| Surplus | 196,826,012 | 465,350,938 |

As per Bank ledger, balance with Bangladesh Bank (local currency) is Tk. 7,562,107,917.17 while as per Bangladesh Bank Statements balance is Tk.7,623,376,726.32 and TT in Transit is Tk.42,500,000.00. Difference between the balance as per Bank Ledger and as per the Bangladesh Bank Statement is properly reconciled and adjusted accordingly.

ii. Fortnightly cumulative Position

As per Bangladesh Bank MPD Circular No. 04 dated December 1, 2010, Bank has to maintain 6% CRR on fortnightly cumulative average basis.

| | | |
|--|----------------------|----------------------|
| Required reserve (6% of total time & demand liabilities) | 127,001,296,500 | 116,373,021,960 |
| Actual reserve maintained | 128,617,519,795 | 120,511,373,157 |
| Surplus | 1,616,223,295 | 4,138,351,197 |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

Amounts in Taka

| | At 31 Dec 2012 | At 31 Dec 2011 |
|---|----------------------|----------------------|
| (b) Statutory Liquidity Ratio (SLR) | | |
| Required reserve (19% of total time & demand liabilities) | 23,657,104,250 | 21,677,327,620 |
| Actual reserve maintained | 28,550,377,784 | 24,233,275,107 |
| Total surplus | 4,893,273,534 | 2,555,947,487 |

As per MPD Circular # 04 & 05 dated 01 December 2010 all scheduled Banks have to maintain CRR and SLR (including CRR) @ 6.00 % and 19.00% daily of their total time and demand liabilities on bi-weekly average basis respectively, where the Bank maintained at the year ended 6.16% and 22.93% respectively.

| (c) Components of Statutory Liquidity Ratio (SLR) | | |
|--|-----------------------|-----------------------|
| Cash in hand | 1,223,800,000 | 991,400,000 |
| Balance with Bangladesh Bank | 7,624,990,512 | 6,627,366,826 |
| Balance with Sonali Bank | 377,600,000 | 480,300,000 |
| TT in Transit | 42,500,000 | 113,000,000 |
| HTM Securities | 15,489,345,473 | 10,413,530,336 |
| HFT Securities | 3,777,141,799 | 5,587,677,945 |
| Other Eligible Security | 15,000,000 | 20,000,000 |
| | 28,550,377,784 | 24,233,275,107 |

Islamic Banking

Cash Reserve Requirement and Statutory Liquidity Ratio

Cash reserve requirement and statutory liquidity ratio have been calculated and maintained in accordance with section 33 of the Banking Companies Act 1991 and Bangladesh Bank MPD's subsequent circular nos. 04 and 05 dated 01 December 2010.

The statutory cash reserve requirement is required on the Bank's time and demand liabilities at the rate of 6% and has been calculated and maintained with Bangladesh Bank in current account while statutory liquidity ratio of 11.50% is required, including cash reserve requirement, on the same liabilities is also maintained in the form of treasury bills, bonds and debentures including foreign currency balance with Bangladesh Bank. Both these are maintained by the Bank in excess of the statutory requirements, as shown below :

| | | |
|--|------------------|------------------|
| (a) Cash Reserve Requirement (CRR) | | |
| Required reserve | 119,914,610 | 92,129,910 |
| Actual reserve maintained | 126,811,832 | 93,560,004 |
| Surplus | 6,897,222 | 1,430,094 |
| (b) Statutory Liquidity Ratio (SLR) | | |
| Total required reserve | 229,836,330 | 268,712,240 |
| Total actual reserve held | 236,611,832 | 274,220,008 |
| Total surplus | 6,775,502 | 5,507,768 |

Mumbai Branch

Cash reserve ratio and statutory liquidity ratio

Cash reserve ratio and statutory liquidity ratio have been calculated and maintained in accordance with Section 24 of the Banking Companies Act 1949, Section 42 (2) of the RBI Act 1934 and RBI circular nos. DBOD. No.Ret. BC.22/12.01.001/2012-13

The cash reserve ratio is required on the Bank's time and demand liabilities at the rate of 4.25 % for 31.12.2012 & 6.00 % for 31.12.2011 and has been calculated and maintained with RBI in current account while statutory liquidity ratio of 23.00 % for 31.12.2012 & 24.00 % for 31.12.2011 is required, on the same liabilities is also maintained in the form of treasury bills, and bonds including foreign currency balance with RBI. Both the reserves are maintained by the Bank in excess of the statutory requirements, as shown below:

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

Amounts in Taka

| | At 31 Dec 2012 | At 31 Dec 2011 |
|--|----------------------|----------------------|
| (a) Cash Reserve Ratio (CRR) | | |
| Required reserve | 25,389,338 | 10,904,757 |
| Actual reserve maintained | 26,538,311 | 25,398,765 |
| Surplus | 1,148,974 | 14,494,008 |
| (b) Statutory Liquidity Ratio (SLR) | | |
| Required reserve | 296,595,683 | 136,677,155 |
| Actual reserve maintained | 374,529,525 | 202,550,824 |
| Surplus | 77,933,843 | 65,873,669 |
| Total required reserve | 321,985,020 | 147,581,912 |
| Total actual reserve held | 401,067,836 | 227,949,589 |
| Total surplus | 79,082,816 | 80,367,677 |
| 4. Balance with other banks and financial institutions | | |
| In Bangladesh (Note: 4.1) | 5,616,079,788 | 5,660,375,607 |
| Outside Bangladesh (Note: 4.2) | 3,260,994,166 | 2,501,951,869 |
| | 8,877,073,955 | 8,162,327,476 |
| 4(a) Consolidated balance with other banks and financial institutions | | |
| In Bangladesh (note: 4.1(a)) | 5,621,794,561 | 5,664,958,585 |
| Outside Bangladesh (Nostro Accounts) (note 4.2(a)) | 1,851,770,306 | 1,030,254,515 |
| | 7,473,564,867 | 6,695,213,100 |
| 4.1 In Bangladesh | | |
| Current Deposits | | |
| Standard Chartered Bank, Dhaka City Centre Branch | 149,880 | 905,043 |
| Agrani Bank Ltd., VIP Road Branch, Sylhet | 35,845 | 10,000 |
| Agrani Bank Ltd., Brahmanbaria Branch | - | 55 |
| Agrani Bank Ltd., Local Office, Dhaka | 24,885 | 24,885 |
| Islami Bank Bangladesh Ltd., Local Office | 11,277 | 2,727 |
| Agrani Bank Ltd., Bhairab Bazar Branch | 534 | 10,000,534 |
| Janata Bank Ltd., Jessore Branch | 34,764 | 15,078 |
| Agrani Bank Ltd., Shaheb Bazar Branch, Rajshahi | 115 | - |
| Janata Bank Ltd., Corporate Branch, Bogra | 6,892 | - |
| Agrani Bank Ltd., Mymensingh Branch | - | 26,466,165 |
| Agrani Bank Ltd., Thana Road Branch, Bogra | 20,005,912 | - |
| Sonali Bank Limited, Corporate Br. Shilpa Bahaban | 20,185,074 | 68,662,323 |
| Janata Bank, Rajshahi Branch | 5,000 | - |
| IFIC Bank, Rajshahi Branch | 840 | 840 |
| RAKUB, Bogra Branch | 1,850 | - |
| Rupali Bank, Rajshahi Branch | 4,655 | 9,875 |
| Janata Bank, Rangpur Branch | 31,766,275 | 5,149,557 |
| RAKUB, Rangpur Branch | 9,493 | 11,548,582 |
| Rupali Bank, Rangpur Branch | 24,271 | 1,847 |
| BRAC Bank- Gulshan Branch | - | 87,239 |
| Rupali Bank, Bogra Branch, Bogra | - | 5,000,000 |
| Janata Bank, Chapai Nawabganj Branch | 1,323 | 1,000 |
| Standard Bank, Rajshahi Branch | - | 10,000 |
| | 72,268,885 | 127,895,750 |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

Amounts in Taka

Special Notice Deposits

| | At 31 Dec 2012 | At 31 Dec 2011 |
|---|--------------------|--------------------|
| Agrani Bank Ltd., Rangpur Branch | 173,732 | 6,647,779 |
| Agrani Bank Ltd., Saidpur Branch | 6,896,328 | 48,181,079 |
| Agrani Bank Ltd., VIP Road Branch, Sylhet | 32,956 | 32,721 |
| Agrani Bank Ltd., Bogra Branch | 7,530 | 20,012,562 |
| Agrani Bank Ltd., Jhikargachha Branch | 3,003,011 | 3,011 |
| Agrani Bank Ltd., Sir Iqbal Road Branch, Khulna | 97,804 | 69,910 |
| Agrani Bank Ltd., Naogaon Branch | 2,638,195 | 36,189,694 |
| Islami Bank Bangladesh Ltd., Local Office | 65,519 | 62,932 |
| Agrani Bank Ltd., Jessore Branch | 5,047,900 | 35,292,417 |
| Agrani Bank Ltd., Moulvi Bazar Branch | 3,013,881 | 2,101,349 |
| Agrani Bank Ltd., Satkhira Branch | 13,468 | 9,827 |
| Agrani Bank Ltd., Court Road Branch, Narayanganj | 2,034 | 2,499 |
| Agrani Bank Ltd., Chawk Bazar, Barisal | 2,593,733 | 1,716,737 |
| Southeast Bank Ltd., Principal Branch | 48,120 | 48,120 |
| Agrani Bank Ltd., Principal Branch, Dhaka | 17,510,806 | 20,086 |
| Bank Asia Ltd., Islami Banking Window, Shantinagar Branch | 1,222,860 | 1,161,708 |
| First Security Islami Bank Ltd, Dilkusha Br. | 9,882,119 | 6,798,458 |
| The Trust Bank Ltd., Corporate Branch, Dilkusha, Dhaka | - | 784,109 |
| Bangladesh Krishi Bank, Barishal | 7,977,102 | 34,347 |
| Janata Bank Ltd., Barisal Branch | 5,477 | 6,403 |
| Standard Chartered Bank, Dhaka City Centre Branch | 1,044,033 | 1,045,033 |
| Al-Arafah Islami Bank Ltd, Dilkusha Branch | 97,488,415 | 29,986,550 |
| Shahjalal Islami Bank Ltd, Dhaka Main Branch | 6,737,868 | 212,409,936 |
| The City Bank Ltd, Islamic Banking Br, Paltan, Dhaka | 10,295,096 | - |
| Bank Alfalah Ltd, Main Branch, Dhaka | 102,356,250 | - |
| Agrani Bank Ltd., Islami Banking Window, Amin Court Corp. Br. | 342,518,170 | - |
| | 620,672,406 | 402,617,265 |

Savings Deposits

| | | |
|--|-------------------|------------------|
| Social Islamic Bank Ltd., Principal Branch | 7,446,687 | 5,120,389 |
| Southeast Bank Ltd., Motijheel Branch | 54,528,107 | 598,354 |
| EXIM Bank Ltd., Motijheel Branch | 1,163,704 | 4,143,850 |
| | 63,138,498 | 9,862,593 |

Fixed Deposits

| | | |
|-------------------------------------|----------------------|----------------------|
| The Premier Bank Ltd. | 200,000,000 | 1,400,000,000 |
| Hajj Finance Company Ltd. | 150,000,000 | 270,000,000 |
| Southeast Bank Ltd. | 400,000,000 | 500,000,000 |
| First Security Islami Bank Ltd. | 450,000,000 | 800,000,000 |
| Shahjalal Islami Bank Ltd | 700,000,000 | 400,000,000 |
| Social Islamic Bank Ltd. | 400,000,000 | 400,000,000 |
| Phoenix Finance and Investment Ltd. | 250,000,000 | 550,000,000 |
| Al-Arafah Islami Bank Limited | 900,000,000 | 100,000,000 |
| EXIM Bank Ltd. | 750,000,000 | 500,000,000 |
| The City Bank Ltd. | 400,000,000 | - |
| Agrani Bank Ltd. | 100,000,000 | - |
| ICB Islamic Bank Ltd. | 160,000,000 | 200,000,000 |
| | 4,860,000,000 | 5,120,000,000 |
| | 5,616,079,788 | 5,660,375,607 |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

| | Amounts in Taka | |
|--|----------------------|----------------------|
| | At 31 Dec 2012 | At 31 Dec 2011 |
| 4.1(a) Consolidated In Bangladesh | | |
| AB Bank Limited | 5,616,079,788 | 5,660,375,607 |
| AB Investments Limited | 586,494 | 189,412 |
| AB International Finance Limited | - | - |
| AB Securities Limited | 117,287,732 | 8,578,128 |
| Cash Link Bangladesh Limited (CBL) | 5,662,854 | 320,469,489 |
| AB Exchange (UK) Ltd. | - | - |
| | 5,739,616,868 | 5,989,612,636 |
| Less: Inter company transaction | 117,822,307 | 324,654,051 |
| | 5,621,794,561 | 5,664,958,585 |
| 4.2 Outside Bangladesh | | |
| Current Deposits | | |
| The Bank of Tokyo Mitsubishi Ltd. | 2,062,777 | 2,841,608 |
| HSBC Plc | 13,338,434 | 11,138,000 |
| HSBC (Mumbai) | - | 1,740,309 |
| JP Morgan Chase Bank | 406,093,091 | 155,483,979 |
| Sonali Bank (Kolkata) | 3,400,196 | 6,585,164 |
| Sonali Bank (UK) | 11,184,877 | 6,033,216 |
| Myanmar Economic Bank | 32,738 | 33,491 |
| Citibank NA | 96,298,024 | 49,650,321 |
| Hatton National Bank Ltd. | 263,725 | 1,719,073 |
| Commerz Bank AG | 32,101,352 | 9,654,917 |
| AB International Finance Ltd. | 1,454,865,178 | 1,667,529,020 |
| State Bank of India | 1,255,665 | 1,284,518 |
| NIB Bank Ltd. | 855,545 | 2,972,857 |
| Mashreq Bank Psc | 53,599,443 | 36,477,538 |
| Nepal Bangladesh Bank Ltd. | 3,450,095 | 1,520,091 |
| Bank of Bhutan | 7,542,776 | 16,115,978 |
| BCCI | - | 138,509 |
| Wachovia Bank/Wells Fargo N.A | 138,084,119 | 34,484,701 |
| Habib America Bank | 52,652,805 | 47,649,175 |
| Commerz Bank AG | 17,507,255 | 13,521,223 |
| Hypovereins Bank | 2,810,857 | 3,894,185 |
| HSBC, Karachi | 87,508 | 40,627,540 |
| National Commercial Bank Ltd. | 36,003,642 | 50,267,587 |
| Habib Metro Bank | 5,669,160 | 2,894,000 |
| U.B.A.F-BANQUES | 1,581,827 | 1,618,174 |
| Habib Bank AG | 808,126 | 811,753 |
| HSBC, New York | 120,653,557 | 67,206,488 |
| UBAF (Hong Kong) Limited | 61,257 | 62,664 |
| Reserve Bank of India | 26,538,311 | 25,398,765 |
| HDFC Bank | 15,023,467 | 14,614,256 |
| Central Bank of India | - | 286,782 |
| Commerz Bank AG (Euro) | 14,842,050 | 963,014 |
| HSBC (Euro) | 2,219,242 | 5,776,708 |
| HSBC (GBP) | 2,824,090 | 2,654,187 |
| HSBC (USD) | 125,809,870 | 2,874,266 |
| HSBC (ACUD) | 440,729,185 | 147,870,555 |
| Citi Bank OBU | 159,699,800 | - |
| HSBC NY (OBU) | 3,627,317 | - |
| Standard Chartered Bank | 3,587,797 | - |
| JP Morgan Chase Bank | 3,829,006 | 67,557,257 |
| | 3,260,994,166 | 2,501,951,869 |

(Details are given in **Annexure - A**)

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

Amounts in Taka

4.2(a) Consolidated Outside Bangladesh (Nostro Accounts)

| | At 31 Dec 2012 | At 31 Dec 2011 |
|------------------------------------|----------------------|----------------------|
| AB Bank Limited | 3,260,994,166 | 2,501,951,869 |
| AB Investments Limited | - | - |
| AB International Finance Limited | 41,332,012 | 4,379,437 |
| AB Securities Limited | - | - |
| Cash Link Bangladesh Limited (CBL) | - | - |
| AB Exchange (UK) Ltd. | 4,397,182 | 3,407,035 |
| | 3,306,723,360 | 2,509,738,340 |
| Less: Inter company transactions | 1,454,953,055 | 1,479,483,826 |
| | 1,851,770,306 | 1,030,254,515 |

4.3 Account-wise/grouping of balance with other banks and financial institutions

| | | |
|-----------------------|----------------------|----------------------|
| Current deposits | 3,333,263,051 | 2,629,847,618 |
| Savings deposits | 63,138,498 | 217,530,325 |
| Short-Notice Deposits | 620,672,406 | 194,949,533 |
| Fixed deposits | 4,860,000,000 | 5,120,000,000 |
| | 8,877,073,954 | 8,162,327,476 |

4.4 Maturity grouping of balance with other banks

| | | |
|----------------------------------|----------------------|----------------------|
| Repayable – on demand | 3,443,145,577 | 2,834,208,607 |
| – up to 3 months | 2,374,216,779 | 1,858,697,470 |
| – over 3 months but below 1 year | 3,059,711,599 | 3,469,421,399 |
| – over 1 year but below 5 years | - | - |
| – over 5 years | - | - |
| | 8,877,073,955 | 8,162,327,476 |

5. Money at call and on short notice

| | | |
|--------------------------------|----------------------|--------------------|
| In Bangladesh (note: 5.1) | 3,300,000,000 | 550,000,000 |
| Outside Bangladesh (note: 5.2) | 371,790,000 | 115,830,000 |
| | 3,671,790,000 | 665,830,000 |

5.1 In Bangladesh

| | | |
|-------------------------------|----------------------|--------------------|
| <u>With banking companies</u> | | |
| United Commercial Bank Ltd. | - | 100,000,000 |
| Prime Bank Ltd. | 650,000,000 | 450,000,000 |
| Mercantile Bank Ltd. | 450,000,000 | - |
| Mutual Trust Bank Ltd. | 200,000,000 | - |
| Uttara Bank Ltd. | 400,000,000 | - |
| Eastern Bank Ltd. | 500,000,000 | - |
| Basic Bank Ltd. | 500,000,000 | - |
| Citibank NA | 150,000,000 | - |
| Southeast Bank Ltd. | 250,000,000 | - |
| | 3,100,000,000 | 550,000,000 |

With non-banking financial institutions

| | | |
|----------------------|----------------------|--------------------|
| Phoenix Finance Ltd. | 200,000,000 | - |
| | 3,300,000,000 | 550,000,000 |

At short notice

| | | |
|-------------------------|---|---|
| On calls and placements | - | - |
|-------------------------|---|---|

| | | |
|-----------------------------|----------------------|--------------------|
| United Commercial Bank Ltd. | - | 100,000,000.00 |
| Prime Bank Ltd. | 650,000,000 | 450,000,000 |
| Mercantile Bank Ltd. | 450,000,000 | - |
| Mutual Trust Bank Ltd. | 200,000,000 | - |
| Uttara Bank Ltd. | 400,000,000 | - |
| Eastern Bank Ltd. | 500,000,000 | - |
| Basic Bank Ltd. | 500,000,000 | - |
| Citibank NA | 150,000,000 | - |
| Southeast Bank Ltd. | 250,000,000 | - |
| Phoenix Finance Ltd. | 200,000,000 | - |
| | 3,300,000,000 | 550,000,000 |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

| | | Amounts in Taka | |
|--------------|--|-----------------------|-----------------------|
| | | At 31 Dec 2012 | At 31 Dec 2011 |
| 5.2 | Outside Bangladesh | | |
| | HDFC Bank Ltd. | 284,310,000 | 115,830,000 |
| | Abu Dhabi Commercial Bank | 87,480,000 | - |
| | | 371,790,000 | 115,830,000 |
| 5(a) | Consolidated money at call and on short notice | | |
| | AB Bank Limited | 3,671,790,000 | 665,830,000 |
| | AB Investments Limited | - | - |
| | AB International Finance Limited | - | - |
| | AB Securities Limited | - | - |
| | Cashlink Bangladesh Limited (CBL) | - | - |
| | AB Exchange (UK) Ltd. | - | - |
| | | 3,671,790,000 | 665,830,000 |
| 6. | Investments | | |
| | Nature wise: | | |
| | Held for Trading | 3,777,141,799 | 5,838,105,169 |
| | Held to Maturity | 15,928,683,098 | 10,663,957,560 |
| | Others | 6,408,962,750 | 5,053,986,428 |
| | | 26,114,787,647 | 21,556,049,158 |
| | Claim wise: | | |
| | Government securities (Note: 6.1) | 19,743,454,873 | 16,113,627,582 |
| | Other investments (Note: 6.2) | 6,371,332,773 | 5,442,421,576 |
| | | 26,114,787,647 | 21,556,049,158 |
| 6 (a) | Consolidated investments | | |
| | AB Bank Limited | 26,114,787,647 | 21,556,049,158 |
| | AB International Finance Limited | - | - |
| | AB Investment Limited | 740,381,828 | 740,822,855 |
| | AB Securities Limited | 67,495,079 | 154,403,988 |
| | Cashlink Bangladesh Limited (CBL) | 26,932,725 | 32,849,658 |
| | AB Exchange (UK) Ltd. | - | - |
| | | 26,949,597,279 | 22,484,125,659 |
| | Less: Inter-group transaction | - | - |
| | | 26,949,597,279 | 22,484,125,659 |
| 6.1 | Government securities | | |
| | Treasury bills | 758,517,571 | 187,966,596 |
| | 30 days Bangladesh Bank bills | 1,217,326,894 | - |
| | Treasury bonds (note: 6.1.1) | 17,637,791,008 | 15,813,241,686 |
| | Debentures - Bangladesh House Building Finance Corporation (Maturity date: 14 March 2015, interest rate: 5.50%) | 15,000,000 | 20,000,000 |
| | Bangladesh Bank Islami Investment bonds | 109,800,000 | 87,100,000 |
| | Prize bonds | 5,019,400 | 5,319,300 |
| | | 19,743,454,873 | 16,113,627,582 |

AB Bank Limited
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Amounts in Taka

6.1.1 Treasury bonds

| | | | At 31 Dec 2012 | At 31 Dec 2011 |
|---------------------------------|-------------|----------------------|----------------|----------------|
| | <u>Rate</u> | <u>Maturity Date</u> | | |
| 05 Years BD Govt. Treasury Bond | 10.74% | 19-Sep-2012 | - | 102,174,365 |
| 05 Years BD Govt. Treasury Bond | 10.69% | 17-Oct-2012 | - | 30,690,588 |
| 05 Years BD Govt. Treasury Bond | 10.65% | 21-Nov-2012 | - | 152,529,425 |
| 05 Years BD Govt. Treasury Bond | 10.65% | 19-Dec-2012 | - | 102,736,811 |
| 05 Years BD Govt. Treasury Bond | 10.14% | 20-May-2014 | 100,065,608 | 100,090,115 |
| 05 Years BD Govt. Treasury Bond | 7.85% | 18-Mar-2015 | 156,412,102 | 156,166,888 |
| 05 Years BD Govt. Treasury Bond | 7.86% | 21-Apr-2015 | 6,156,558 | 6,148,626 |
| 05 Years BD Govt. Treasury Bond | 7.88% | 21-Jul-2015 | 279,500,000 | 279,500,000 |
| 05 Years BD Govt. Treasury Bond | 7.88% | 18-Aug-2015 | 270,700,000 | 270,700,000 |
| 05 Years BD Govt. Treasury Bond | 7.96% | 20-Oct-2015 | 42,709,023 | 42,790,978 |
| 05 Years BD Govt. Treasury Bond | 8.25% | 17-Feb-2016 | 400,000,000 | 400,000,000 |
| 05 Years BD Govt. Treasury Bond | 8.26% | 20-Apr-2016 | 300,000,000 | 300,000,000 |
| 05 Years BD Govt. Treasury Bond | 8.26% | 22-Jun-2016 | 400,000,000 | 400,000,000 |
| 05 Years BD Govt. Treasury Bond | 8.26% | 6-Jul-2016 | 243,300,000 | 243,300,000 |
| 05 Years BD Govt. Treasury Bond | 8.30% | 3-Aug-2016 | 42,976,849 | 43,407,103 |
| 05 Years BD Govt. Treasury Bond | 9.00% | 4-Jan-2017 | 390,900,000 | - |
| 05 Years BD Govt. Treasury Bond | 7.81% | 20-Oct-2015 | 159,187,712 | - |
| 05 Years BD Govt. Treasury Bond | 8.30% | 20-Jan-2015 | 80,284,294 | - |
| 10 Years BD Govt. Treasury Bond | 12.19% | 17-Feb-2015 | 394,746,068 | 405,666,620 |
| 10 Years BD Govt. Treasury Bond | 12.15% | 4-Jul-2017 | 124,749,880 | 140,774,453 |
| 10 Years BD Govt. Treasury Bond | 11.74% | 8-Aug-2017 | 20,000,000 | 20,000,000 |
| 10 Years BD Govt. Treasury Bond | 11.74% | 5-Dec-2017 | - | 450,000,000 |
| 10 Years BD Govt. Treasury Bond | 11.72% | 2-Jan-2018 | - | 282,000,000 |
| 10 Years BD Govt. Treasury Bond | 11.72% | 6-Feb-2018 | - | 207,500,000 |
| 10 Years BD Govt. Treasury Bond | 11.72% | 2-Apr-2018 | 575,410,052 | 578,108,000 |
| 10 Years BD Govt. Treasury Bond | 11.72% | 7-May-2018 | - | 150,000,000 |
| 10 Years BD Govt. Treasury Bond | 11.72% | 4-Jun-2018 | 145,500,000 | 497,500,000 |
| 10 Years BD Govt. Treasury Bond | 11.72% | 2-Jul-2018 | 617,170,834 | 614,165,710 |
| 10 Years BD Govt. Treasury Bond | 11.72% | 6-Aug-2018 | 513,658,817 | 514,970,186 |
| 10 Years BD Govt. Treasury Bond | 11.72% | 3-Sep-2018 | - | 174,537,939 |
| 10 Years BD Govt. Treasury Bond | 11.72% | 8-Oct-2018 | 874,603,125 | 873,816,032 |
| 10 Years BD Govt. Treasury Bond | 11.72% | 4-Feb-2019 | 150,000,000 | 150,000,000 |
| 10 Years BD Govt. Treasury Bond | 8.75% | 4-Mar-2019 | 87,900,000 | 87,900,000 |
| 10 Years BD Govt. Treasury Bond | 8.77% | 3-Feb-2020 | 71,076,954 | 70,949,226 |
| 10 Years BD Govt. Treasury Bond | 8.77% | 3-Mar-2020 | 63,400,000 | 63,400,000 |
| 10 Years BD Govt. Treasury Bond | 8.79% | 7-Apr-2020 | 236,500,000 | 236,500,000 |
| 10 Years BD Govt. Treasury Bond | 8.85% | 7-Jul-2020 | 7,803,698 | 7,789,009 |
| 10 Years BD Govt. Treasury Bond | 8.90% | 6-Oct-2020 | 221,900,000 | 221,900,000 |
| 10 Years BD Govt. Treasury Bond | 9.50% | 3-Nov-2020 | 230,637,215 | 230,795,283 |
| 10 Years BD Govt. Treasury Bond | 9.53% | 8-Dec-2020 | 404,097,448 | 404,395,200 |
| 10 Years BD Govt. Treasury Bond | 9.45% | 5-Jan-2021 | 401,898,674 | 402,046,400 |
| 10 Years BD Govt. Treasury Bond | 9.45% | 2-Feb-2021 | 388,669,052 | 388,782,874 |
| 10 Years BD Govt. Treasury Bond | 9.45% | 2-Mar-2021 | 395,891,969 | 395,970,021 |
| 10 Years BD Govt. Treasury Bond | 9.45% | 6-Apr-2021 | 100,189,940 | 100,202,962 |
| 10 Years BD Govt. Treasury Bond | 9.45% | 4-May-2021 | 392,833,012 | 392,859,189 |
| 10 Years BD Govt. Treasury Bond | 9.45% | 8-Jun-2021 | 227,500,000 | 227,500,000 |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

Amounts in Taka

6.1.1 Treasury bonds (Cont.)

| | | | At 31 Dec 2012 | At 31 Dec 2011 |
|---------------------------------|-------------|----------------------|----------------|----------------|
| | Rate | Maturity Date | | |
| 10 Years BD Govt. Treasury Bond | 9.50% | 13-Jul-2021 | 217,700,000 | 217,700,000 |
| 10 Years BD Govt. Treasury Bond | 9.53% | 10-Aug-2021 | 220,966,320 | 220,998,198 |
| 10 Years BD Govt. Treasury Bond | 9.55% | 14-Sep-2021 | 391,918,379 | 391,980,907 |
| 10 Years BD Govt. Treasury Bond | 11.65% | 12-Oct-2021 | 215,961,188 | - |
| 10 Years BD Govt. Treasury Bond | 11.75% | 11-Jul-2022 | 95,103,682 | - |
| 10 Years BD Govt. Treasury Bond | 11.75% | 22-Aug-2022 | 47,590,195 | - |
| 10 Years BD Govt. Treasury Bond | 9.55% | 12-Sep-2022 | 408,657,238 | - |
| 10 Years BD Govt. Treasury Bond | 9.55% | 10-Nov-2021 | 310,100,289 | - |
| 15 Years BD Govt. Treasury Bond | 12.22% | 14-Dec-2021 | 141,699,105 | 142,863,733 |
| 15 Years BD Govt. Treasury Bond | 8.74% | 13-Feb-2023 | 63,100,000 | 63,100,000 |
| 15 Years BD Govt. Treasury Bond | 8.75% | 10-Feb-2025 | 74,300,000 | 74,300,000 |
| 15 Years BD Govt. Treasury Bond | 8.77% | 10-Mar-2025 | 20,200,000 | 20,200,000 |
| 15 Years BD Govt. Treasury Bond | 8.80% | 15-Apr-2025 | 58,500,000 | 58,500,000 |
| 15 Years BD Govt. Treasury Bond | 8.80% | 12-May-2025 | 60,000,000 | 60,000,000 |
| 15 Years BD Govt. Treasury Bond | 8.85% | 9-Jun-2025 | 108,600,000 | 108,600,000 |
| 15 Years BD Govt. Treasury Bond | 8.86% | 14-Jul-2025 | 112,000,000 | 112,000,000 |
| 15 Years BD Govt. Treasury Bond | 8.92% | 11-Aug-2025 | 112,000,000 | 112,000,000 |
| 15 Years BD Govt. Treasury Bond | 8.95% | 15-Sep-2025 | 85,200,000 | 85,200,000 |
| 15 Years BD Govt. Treasury Bond | 9.05% | 13-Oct-2025 | 120,000,000 | 120,000,000 |
| 15 Years BD Govt. Treasury Bond | 9.12% | 10-Nov-2025 | 120,000,000 | 120,000,000 |
| 15 Years BD Govt. Treasury Bond | 9.12% | 15-Dec-2025 | 160,000,000 | 160,000,000 |
| 15 Years BD Govt. Treasury Bond | 9.20% | 9-Feb-2026 | 160,000,000 | 160,000,000 |
| 15 Years BD Govt. Treasury Bond | 9.30% | 9-Mar-2026 | 200,000,000 | 200,000,000 |
| 15 Years BD Govt. Treasury Bond | 8.85% | 13-Apr-2026 | 200,000,000 | 200,000,000 |
| 15 Years BD Govt. Treasury Bond | 9.35% | 11-May-2026 | 204,000,000 | 204,000,000 |
| 15 Years BD Govt. Treasury Bond | 9.65% | 15-Jun-2026 | 122,400,000 | 122,400,000 |
| 15 Years BD Govt. Treasury Bond | 10.30% | 17-Aug-2026 | 117,001,055 | 116,857,765 |
| 15 Years BD Govt. Treasury Bond | 10.99% | 21-Sep-2026 | 163,760,192 | 163,773,326 |
| 15 Years BD Govt. Treasury Bond | 11.00% | 19-Oct-2026 | 163,514,814 | - |
| 15 Years BD Govt. Treasury Bond | 11.00% | 16-Nov-2026 | 153,123,764 | - |
| 15 Years BD Govt. Treasury Bond | 11.50% | 21-Dec-2026 | 216,198,180 | - |
| 15 Years BD Govt. Treasury Bond | 11.60% | 18-Jan-2027 | 185,464,394 | - |
| 15 Years BD Govt. Treasury Bond | 11.65% | 22-Feb-2027 | 214,324,454 | - |
| 15 Years BD Govt. Treasury Bond | 11.70% | 21-Mar-2027 | 51,698,956 | - |
| 15 Years BD Govt. Treasury Bond | 11.75% | 18-Apr-2027 | 192,668,422 | - |
| 15 Years BD Govt. Treasury Bond | 11.80% | 23-May-2027 | 198,113,114 | - |
| 15 Years BD Govt. Treasury Bond | 11.80% | 20-Jun-2027 | 103,125,560 | - |
| 15 Years BD Govt. Treasury Bond | 11.93% | 19-Sep-2027 | 35,992,138 | - |
| 20 Years BD Govt. Treasury Bond | 9.11% | 17-Oct-2027 | 37,000,000 | 37,000,000 |
| 20 Years BD Govt. Treasury Bond | 9.15% | 24-Feb-2030 | 80,000,000 | 80,000,000 |
| 20 Years BD Govt. Treasury Bond | 9.17% | 24-Mar-2030 | 20,500,000 | 20,500,000 |
| 20 Years BD Govt. Treasury Bond | 9.20% | 28-Apr-2030 | 100,000,000 | 100,000,000 |
| 20 Years BD Govt. Treasury Bond | 9.23% | 29-Jul-2030 | 56,000,000 | 56,000,000 |
| 20 Years BD Govt. Treasury Bond | 9.25% | 25-Aug-2030 | 70,000,000 | 70,000,000 |
| 20 Years BD Govt. Treasury Bond | 9.25% | 29-Sep-2030 | 84,000,000 | 84,000,000 |
| 20 Years BD Govt. Treasury Bond | 9.45% | 27-Oct-2030 | 69,600,000 | 69,600,000 |
| 20 Years BD Govt. Treasury Bond | 9.57% | 24-Nov-2030 | 100,000,000 | 100,000,000 |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

Amounts in Taka

6.1.1 Treasury bonds (Cont.)

| | | | At 31 Dec 2012 | At 31 Dec 2011 |
|--|-------------|----------------------|-----------------------|-----------------------|
| | Rate | Maturity Date | | |
| 20 Years BD Govt. Treasury Bond | 9.60% | 29-Dec-2030 | 120,000,000 | 120,000,000 |
| 20 Years BD Govt. Treasury Bond | 9.60% | 26-Jan-2031 | 120,000,000 | 120,000,000 |
| 20 Years BD Govt. Treasury Bond | 9.63% | 23-Feb-2031 | 128,000,000 | 128,000,000 |
| 20 Years BD Govt. Treasury Bond | 9.65% | 23-Mar-2031 | 140,000,000 | 140,000,000 |
| 20 Years BD Govt. Treasury Bond | 9.65% | 27-Apr-2031 | 140,000,000 | 140,000,000 |
| 20 Years BD Govt. Treasury Bond | 9.65% | 25-May-2031 | 95,600,000 | 95,600,000 |
| 20 Years BD Govt. Treasury Bond | 10.00% | 29-Jun-2031 | 40,600,000 | 40,600,000 |
| 20 Years BD Govt. Treasury Bond | 10.25% | 27-Jul-2031 | 107,200,000 | 107,200,000 |
| 20 Years BD Govt. Treasury Bond | 10.85% | 24-Aug-2031 | 37,123,102 | 37,099,232 |
| 20 Years BD Govt. Treasury Bond | 11.50% | 28-Sep-2031 | 112,902,912 | 112,904,522 |
| 20 Years BD Govt. Treasury Bond | 12.03% | 26-Oct-2031 | 4,031,489 | - |
| 20 Years BD Govt. Treasury Bond | 12.12% | 28-Mar-2032 | 51,335,847 | - |
| 20 Years BD Govt. Treasury Bond | 12.16% | 25-Jul-2032 | 20,526,638 | - |
| 20 Years BD Govt. Treasury Bond | 12.16% | 29-Aug-2032 | 44,413,197 | - |
| 20 Years BD Govt. Treasury Bond | 11.50% | 26-Sep-2032 | 33,913,286 | - |
| 20 Years BD Govt. Treasury Bond | 11.50% | 23-Nov-2031 | 134,586,013 | - |
| Treasury Bond PD REPO Adjustment | | | 347,148,202 | - |
| | | | 17,637,791,008 | 15,813,241,686 |
| 6.1(a) Consolidated Government securities | | | | |
| AB Bank Limited | | | 19,743,454,873 | 16,113,627,582 |
| AB Investment Limited | | | - | - |
| AB International Finance Limited | | | - | - |
| AB Securities Limited | | | - | - |
| Cashlink Bangladesh Limited (CBL) | | | - | - |
| AB Exchange (UK) Ltd. | | | - | - |
| | | | 19,743,454,873 | 16,113,627,582 |
| 6.2 Other investments | | | | |
| Shares (Note: 6.2.1) | | | 5,791,995,148 | 5,051,994,352 |
| Bond (Note: 6.2.2) | | | 140,000,000 | 140,000,000 |
| | | | 5,931,995,148 | 5,191,994,352 |
| Investments -ABBL, Mumbai branch | | | | |
| Treasury bills | | | 374,529,525 | 202,550,824 |
| Debentures and bonds | | | 64,808,100 | 47,876,400 |
| | | | 439,337,625 | 250,427,224 |
| Total Other investments | | | 6,371,332,773 | 5,442,421,576 |
| 6.2 (a) Consolidated other investments | | | | |
| AB Bank Limited | | | 6,371,332,773 | 5,442,421,576 |
| AB Investment Limited | | | 740,381,828 | 740,822,855 |
| AB International Finance Limited | | | - | - |
| AB Securities Limited | | | 67,495,079 | 154,403,988 |
| Cashlink Bangladesh Limited (CBL) | | | 26,932,725 | 32,849,658 |
| AB Exchange (UK) Ltd. | | | - | - |
| | | | 7,206,142,406 | 6,370,498,077 |
| Less: Inter- group transactions | | | - | - |
| | | | 7,206,142,406 | 6,370,498,077 |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

| | | Amounts in Taka | |
|---|--|-----------------------|-----------------------|
| | | At 31 Dec 2012 | At 31 Dec 2011 |
| 6.2.1 Investments in shares | | | |
| Quoted (Publicly Traded) | | 4,988,920,181 | 3,939,150,185 |
| Unquoted | | 803,074,967 | 1,112,844,167 |
| | | 5,791,995,148 | 5,051,994,352 |
| Detailed are given in Annexure - B . | | | |
| 6.2.2 Investment in subordinated bonds | | | |
| Prime Bank Limited | | 90,000,000 | 90,000,000 |
| Trust Bank Limited | | 50,000,000 | 50,000,000 |
| | | 140,000,000 | 140,000,000 |
| 6.3 Maturity grouping | | | |
| Repayable – on demand | | 347,148,201 | 1,591,091,117 |
| – upto 3 months | | 6,318,747,621 | 2,313,294,692 |
| – over 3 months but below 1 year | | 778,522,750 | 805,832,286 |
| – over 1 year but below 5 years | | 4,049,530,324 | 2,309,980,110 |
| – over 5 years | | 14,620,838,750 | 14,535,850,954 |
| | | 26,114,787,646 | 21,556,049,158 |

6.4 Disclosure of uniform accounting procedures for REPO transactions under DOS circular no 06 dated 15 July 2010 is given below :

a.(i) Disclosure regarding outstanding Repo as on 31 December:

| Counter party name | Agreement Date | Reversal Date | Amount (1st leg cash consideration) |
|-------------------------------------|----------------|---------------|-------------------------------------|
| Bangladesh Bank (Liquidity Support) | 29-Dec-2012 | 1/1/2013 | 3,441,595,000 |
| Total | | | 3,441,595,000 |

(ii) Disclosure regarding outstanding Reverse Repo as on 31 December:

| Counter party name | Agreement Date | Reversal Date | Amount (1st leg cash consideration) |
|--------------------|----------------|---------------|-------------------------------------|
| N/A | N/A | N/A | N/A |
| Total | | | N/A |

b. Disclosure regarding overall transaction of Repo and Reverse repo:

| | Minimum outstanding during the year | Maximum outstanding during the year | Daily average outstanding during the year |
|---|-------------------------------------|-------------------------------------|---|
| Securities sold under repo: | | | |
| i) with Bangladesh Bank | 226,582,893 | 2,930,655,289 | 526,374,753 |
| ii) with other banks & Fis | 104,224,314 | 1,247,065,338 | 164,527,184 |
| Securities purchased under reverse repo: | | | |
| i) from Bangladesh Bank | NIL | NIL | NIL |
| ii) from other banks & Fis | 428,035,974 | 766,157,359 | 8,377,485 |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

Amounts in Taka

| | At 31 Dec 2012 | At 31 Dec 2011 |
|--|------------------------|-----------------------|
| 7. Loans, advances and lease/investments | 106,065,758,923 | 94,638,218,363 |
| 7.1 Maturity grouping | | |
| Repayable – on demand | 17,379,135,636 | 25,737,169,606 |
| – upto 3 months | 26,554,833,751 | 26,831,701,326 |
| – over 3 months but below 1 year | 25,841,675,479 | 13,585,273,286 |
| – over 1 year but below 5 years | 28,885,806,271 | 24,671,862,828 |
| – over 5 years | 7,404,307,785 | 3,812,211,318 |
| | 106,065,758,923 | 94,638,218,363 |
| 7.2 Broad category-wise breakup | | |
| In Bangladesh | | |
| Loans | 88,019,786,261 | 75,667,510,086 |
| Overdrafts | 17,025,203,384 | 17,539,131,615 |
| Cash credits | - | - |
| | 105,044,989,644 | 93,206,641,700 |
| Outside Bangladesh: ABBL, Mumbai Branch | | |
| Loans | 277,279,676 | 232,085,451 |
| Overdrafts | 4,057,448 | 6,442,489 |
| Cash credits | 47,458,232 | 47,458,232 |
| | 328,795,356 | 285,986,172 |
| | 105,373,785,000 | 93,492,627,872 |
| 7.3 Product wise Loans and Advances | | |
| Overdraft | 17,029,369,806 | 17,554,153,526 |
| Cash Credit | 47,458,232 | 47,458,232 |
| Time loan | 29,767,374,069 | 23,879,502,148 |
| Term loan | 41,900,778,815 | 32,236,685,101 |
| Bills under LC | 273,489,781 | 285,955,811 |
| Trust Receipt | 10,900,089,435 | 14,664,891,168 |
| Packing credit | 385,262,490 | 383,181,388 |
| Loan against accepted bills | 2,616,131,651 | 2,453,486,221 |
| Consumer Loan | 1,315,619,721 | 1,319,168,070 |
| Staff Loan | 550,274,965 | 492,496,843 |
| Others | 1,279,909,959 | 1,321,239,856 |
| | 106,065,758,923 | 94,638,218,363 |
| 7.4 Net loans, advances and lease/investments | | |
| Gross loans and advances | 106,065,758,923 | 94,638,218,363 |
| Less: | | |
| Interest suspense | 879,992,653 | 504,511,041 |
| Provision for loans and advances | 2,318,340,874 | 2,347,039,126 |
| | 3,198,333,527 | 2,851,550,167 |
| | 102,867,425,396 | 91,786,668,196 |
| 7.5 Significant concentration | | |
| Advances to industries | 42,209,112,384 | 38,553,344,110 |
| Advances to customer groups | 63,856,646,539 | 56,080,392,735 |
| Advances to allied concerns of Directors | - | - |
| Advances to Chief Executive | - | 4,481,518 |
| | 106,065,758,923 | 94,638,218,363 |
| 7.6 Advances to customers for more than 10% of Bank's total capital | | |
| Total capital of the Bank | 17,181,413,003 | 15,943,324,967 |
| Number of clients | 30 | 27 |
| Amount of outstanding advances | 32,671,931,246 | 27,521,400,000 |
| Amount of classified advances | - | - |
| Measures taken for recovery | Not applicable | Not applicable |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

Amounts in Taka

7.7 Industry-wise loans, advances and lease/investments

| | At 31 Dec 2012 | At 31 Dec 2011 |
|---------------------------------|------------------------|-----------------------|
| Agriculture | 2,614,202,720 | 2,416,513,588 |
| Large and medium scale industry | 22,162,114,632 | 17,568,319,300 |
| Working capital | 19,566,085,368 | 19,486,401,737 |
| Export | 1,415,926,793 | 2,287,422,354 |
| Commercial lending | 35,492,934,966 | 43,097,507,033 |
| Small and cottage industry | 480,913,125 | 159,911,252 |
| Others | 24,333,581,319 | 9,622,143,099 |
| | 106,065,758,923 | 94,638,218,363 |

7.8 Geographical location-wise (division) distribution

In Bangladesh

Urban Branches

| | | |
|------------|------------------------|-----------------------|
| Dhaka | 69,932,442,327 | 61,967,132,190 |
| Chittagong | 21,340,455,537 | 18,235,801,055 |
| Khulna | 4,176,544,481 | 4,006,190,202 |
| Sylhet | 1,909,055,866 | 1,255,502,337 |
| Barisal | 319,361,172 | 304,398,670 |
| Rajshahi | 2,643,457,653 | 2,480,609,953 |
| Rangpur | 2,209,016,998 | 1,765,589,040 |
| | 102,530,334,034 | 90,015,223,447 |

Rural Branches

| | | |
|------------|----------------------|----------------------|
| Dhaka | 2,518,022,539 | 2,674,500,001 |
| Chittagong | 361,998,917 | 966,815,537 |
| Khulna | - | - |
| Sylhet | 74,568,972 | 695,693,206 |
| Barisal | - | - |
| Rajshahi | - | - |
| | 2,954,590,428 | 4,337,008,744 |

Outside Bangladesh

| | | |
|---------------------|------------------------|-----------------------|
| ABBL, Mumbai Branch | 580,834,460 | 285,986,172 |
| | 106,065,758,923 | 94,638,218,363 |

7.9 Classification of loans, advances and lease/investments

In Bangladesh

Unclassified

| | | |
|-------------------------|------------------------|-----------------------|
| Standard | 101,542,166,762 | 90,955,231,282 |
| Special Mention Account | 505,004,000 | 217,201,705 |
| | 102,047,170,762 | 91,172,432,987 |

Classified

| | | |
|-------------|------------------------|-----------------------|
| Substandard | 437,063,154 | 151,800,336 |
| Doubtful | 524,890,000 | 71,901,527 |
| Bad/Loss | 2,475,800,546 | 2,448,098,910 |
| | 3,437,753,700 | 2,671,800,773 |
| | 105,484,924,463 | 93,844,233,760 |

Outside Bangladesh-Mumbai Branch

| | | |
|-------------------|------------------------|-----------------------|
| Unclassified Loan | 496,321,614 | 793,984,604 |
| Classified Loan | 84,512,846 | - |
| | 580,834,460 | 793,984,604 |
| | 106,065,758,923 | 94,638,218,364 |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

Amounts in Taka

7.10 Particulars of Loans, advances and lease/investments

| | At 31 Dec 2012 | At 31 Dec 2011 |
|--|------------------------|-----------------------|
| (i) Loans considered good in respect of which the Bank is fully secured | 104,004,645,135 | 92,838,819,800 |
| (ii) Loans considered good against which the Bank holds no security other than the debtors' personal guarantee | - | - |
| (iii) Loans considered good and secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors | 2,061,113,788 | 1,799,398,563 |
| (iv) Loans adversely classified but provision not maintained thereagainst | - | - |
| | 106,065,758,923 | 94,638,218,363 |
| (v) Loans due by directors or officers of the Bank or any of them either separately or jointly with any other persons [note 7.8 (a)] | 550,274,964 | 492,496,843 |
| (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 | - | - |
| (vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the Bank or any of them either separately or jointly with any other persons [note 7.8 (a)] | 550,274,964 | 492,496,843 |
| (viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members | - | - |
| (ix) Due from other banking companies | - | - |
| (x) Amount of classified loans on which interest has not been charged | - | - |
| (a) Increase/(decrease) of provision (specific) | 818,327,401 | 130,000,000 |
| (b) Amount of loan written-off | 991,500,000 | - |
| (c) Amount realised against loan previously written-off | 35,168,196 | 80,646,113 |
| (d) Provision kept against loans classified as bad /loss on the date of preparing the balance sheet | 1,048,706,561 | 1,030,514,450 |
| (e) Interest charged to interest suspense account | 646,576,267 | 237,021,342 |
| (xi) Written-off loan | | |
| During the year | 991,500,000 | - |
| Cumulative to-date (as per Bangladesh Bank guidelines) | 5,464,993,000 | 4,473,493,000 |
| Cumulative to-date (in amicable settlement) | 2,703,300,000 | 2,694,067,000 |
| The amount of written off loans for which lawsuits have been filed for its recovery | 2,703,300,000 | 1,779,426,000 |
| 7.8 (a) The amount represents loans Tk 550,274,964 due by the employees of the Bank. | | |

7.11 Securities wise Loans, advances and lease/investments

Nature of security

| | | |
|--|------------------------|-----------------------|
| Collateral of movable/immovable assets | 80,184,533,296 | 77,067,919,624 |
| Cash collateral | 5,576,928,815 | 2,513,508,568 |
| Banks and financial institutions guarantee | 658,117,246 | 1,125,558,355 |
| Personal guarantee | 5,873,289,218 | 7,677,828,585 |
| Corporate guarantee | 9,875,872,087 | 4,082,804,187 |
| Other securities | 3,897,018,261 | 2,170,599,044 |
| | 106,065,758,923 | 94,638,218,363 |

AB Bank Limited
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For the year ended 31 December 2012

| | | Amounts in Taka | |
|--------------|---|------------------------|------------------------|
| | | At 31 Dec 2012 | At 31 Dec 2011 |
| 7(a) | Consolidated Loans, advances and lease/investments | | |
| | AB Bank Limited | 105,373,785,000 | 93,492,627,872 |
| | AB Investment Limited | 7,585,189,288 | 7,259,150,528 |
| | AB International Finance Limited | - | - |
| | AB Securities Limited | 1,073,788,194 | 1,033,108,643 |
| | Cashlink Bangladesh Limited (CBL) | - | - |
| | AB Exchange (UK) Ltd. | - | - |
| | | 114,032,762,482 | 101,784,887,043 |
| | Less: Inter company transaction | 2,721,036,520 | 2,198,699,950 |
| | | 111,311,725,962 | 99,586,187,093 |
| 8. | Bills purchased and discounted | | |
| | In Bangladesh | 439,934,818 | 637,592,059 |
| | Outside Bangladesh - ABBL, Mumbai Branch | 252,039,105 | 507,998,432 |
| | | 691,973,923 | 1,145,590,491 |
| 8.1 | Maturity grouping | | |
| | Repayable – within 1 month | 138,394,785 | 229,118,098 |
| | – over 1 month but within 3 months | 553,579,139 | 916,472,392 |
| | – over 3 months but within 6 months | - | - |
| | – over 6 months | - | - |
| | | 691,973,923 | 1,145,590,491 |
| 8 (a) | Consolidated Bills purchased and discounted | | |
| | AB Bank Limited | 691,973,923 | 1,145,590,491 |
| | AB Investment Limited | - | - |
| | AB International Finance Limited | 1,659,285,813 | 1,738,361,834 |
| | AB Securities Limited | - | - |
| | Cashlink Bangladesh Limited (CBL) | - | - |
| | AB Exchange (UK) Ltd. | - | - |
| | | 2,351,259,736 | 2,883,952,325 |
| 9. | Fixed assets including premises, furniture and fixtures | | |
| | Cost: | | |
| | Land and Building | 3,111,940,206 | 3,124,992,006 |
| | Furniture and fixtures | 202,789,081 | 190,467,310 |
| | Office appliances | 61,663,735 | 61,283,755 |
| | Electrical appliances | 1,353,846,742 | 1,052,984,051 |
| | Motor vehicles | 479,583,052 | 354,969,273 |
| | Intangible Assets | 218,879,331 | 197,792,133 |
| | | 5,428,702,146 | 4,982,488,527 |
| | Less: Accumulated depreciation and amortization | 1,199,181,586 | 930,423,607 |
| | | 4,229,520,560 | 4,052,064,920 |
| | A schedule of fixed assets is given in Annex C. | | |
| 9(a) | Consolidated Fixed assets including premises, furniture and fixtures | | |
| | Cost: | | |
| | AB Bank Limited | 5,428,702,146 | 4,982,488,527 |
| | AB Bank Limited | 571,076,609 | 571,076,609 |
| | AB Investments Limited | 9,273,255 | 9,170,358 |
| | AB International Finance Limited | 28,777,170 | 26,629,235 |
| | AB Securities Limited | 268,419,630 | 268,419,629 |
| | Cashlink Bangladesh Limited (CBL) | 15,837,740 | 15,498,478 |
| | AB Exchange (UK) Ltd. | 6,322,086,549 | 5,873,282,837 |

AB Bank Limited
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Amounts in Taka

| | At 31 Dec 2012 | At 31 Dec 2011 |
|---|-----------------------|-----------------------|
| Accumulated depreciation: | | |
| AB Bank Limited | 1,199,181,586 | 930,423,607 |
| AB Investments Limited | 19,128,664 | 3,055,970 |
| AB International Finance Limited | 8,770,016 | 8,682,786 |
| AB Securities Limited | 11,193,635 | 5,886,139 |
| Cashlink Bangladesh Limited (CBL) | 209,896,835 | 157,424,502 |
| AB Exchange (UK) Ltd. | 5,265,911 | 1,826,793 |
| | 1,453,436,647 | 1,107,299,797 |
| | 4,868,649,902 | 4,765,983,039 |
| 10. Other assets | | |
| Income generating-Equity Investment | | |
| In Bangladesh: | | |
| AB Investment Limited (99.99% owned subsidiary company of ABBL) | 9,899,000 | 99,899,000 |
| AB Securities Limited (99.71% owned subsidiary company of ABBL) | 34,898,000 | 34,898,000 |
| Cashlink Bangladesh Limited (CBL) (90% owned subsidiary company of ABBL) | 212,581,228 | 212,581,228 |
| Outside Bangladesh: | | |
| AB International Finance Ltd., Hong Kong (wholly owned subsidiary company of ABBL) | 5,203,944 | 5,203,944 |
| AB Exchange (UK) Limited (wholly owned subsidiary company of ABBL) | 32,280,000 | 252 |
| | 384,862,172 | 352,582,425 |
| Non-income generating | | |
| Inter-branch adjustment | 4,191,700 | 43,591,061 |
| Advance corporate income tax (note: 10.1) | 5,673,148,042 | 4,373,711,910 |
| Arab Bangladesh Bank Foundation | 19,920,000 | 19,920,000 |
| Share Money Deposits-AB Investment Limited | 4,900,100,000 | 4,900,100,000 |
| Share Money Deposits-AB Securities Limited | 165,000,000 | 165,000,000 |
| Accounts receivable | 1,232,257,570 | 831,971,409 |
| Preliminary, formation, organisational, renovation, development, prepaid expenses and others | 1,033,615,467 | 1,889,291,424 |
| Exchange for clearing | 703,078,129 | 973,715,632 |
| Interest accrued on investment but not collected, and debentures, and other income receivables | 686,226,038 | 631,698,881 |
| Security deposits | 267,435,160 | 156,779,788 |
| Local drafts paid without advice | - | - |
| Advance rent and advertisement | 156,275,414 | 145,251,391 |
| Stationery, stamps, printing materials, etc. | 34,546,476 | 43,287,063 |
| | 14,875,793,996 | 14,174,318,559 |
| | 15,260,656,170 | 14,526,900,984 |
| 10(a) Consolidated Other assets | | |
| AB Bank Limited | 15,260,656,170 | 14,526,900,984 |
| AB Investment Limited | 235,544,527 | 308,584,808 |
| AB International Finance Limited | 9,249,425 | 6,495,911 |
| AB Securities Limited | 107,900,318 | 59,680,487 |
| Cashlink Bangladesh Limited (CBL) | 23,287,654 | 27,904,626 |
| AB Exchange (UK) Ltd. | 1,350,208 | 1,128,526 |
| | 15,637,988,302 | 14,930,695,341 |
| Less: Inter-group transaction | 6,370,150,451 | 6,968,738,910 |
| | 9,267,837,853 | 7,961,956,432 |

AB Bank Limited
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| | | Amounts in Taka | |
|-------------|---|----------------------|-----------------------|
| | | At 31 Dec 2012 | At 31 Dec 2011 |
| 10.1 | Advance corporate income tax | | |
| | In Bangladesh: | | |
| | Balance at 01 January | 4,066,825,904 | 2,548,624,404 |
| | <i>Add:</i> Paid during the year | 1,325,524,111 | 1,470,386,008 |
| | <i>Add:</i> Tax withheld during the year | 122,143,930 | 47,815,492 |
| | | 1,447,668,041 | 1,518,201,500 |
| | Less: Settlement during the year | - | - |
| | Balance at 31 December | 5,514,493,945 | 4,066,825,904 |
| | Advance tax paid by ABBL, Mumbai Branch | 158,654,097 | 306,886,007 |
| | | 5,673,148,041 | 4,373,711,911 |
| 11. | Borrowings from other banks, financial institutions and agents | | |
| | In Bangladesh (Note: 11.1) | 3,262,748,341 | 10,124,576,923 |
| | Outside Bangladesh (Note: 11.2) | 386,513,441 | 123,612,648 |
| | | 3,649,261,782 | 10,248,189,572 |
| 11.1 | In Bangladesh | | |
| | Bangladesh Bank refinance | | |
| | ADB loan | 28,799,000 | 13,349,000 |
| | Islamic Investment Bonds | 3,000,800,000 | 3,050,792,894 |
| | Bangladesh Bank Refinance | 180,541,281 | 115,640,784 |
| | Off-shore Banking Business | - | 327,409,245 |
| | | 3,210,140,281 | 3,507,191,923 |
| | Call & Term Borrowing from | | |
| | Delta Brac Housing Ltd. | - | 50,000,000 |
| | Habib Bank Ltd. | - | 50,000,000 |
| | IDLC finance Ltd. | - | 410,000,000 |
| | State Bank of India | - | 140,000,000 |
| | Bay Leasing Ltd. | - | 100,000,000 |
| | Pubali Bank Ltd. | - | 300,000,000 |
| | United Commercial Bank Ltd. | - | 900,000,000 |
| | Trust Bank Ltd. | - | 950,000,000 |
| | Dutch Bangla Bank Ltd. | - | 100,000,000 |
| | Standard Bank Ltd. | - | 50,000,000 |
| | Commercial Bank of Ceylon | - | 50,000,000 |
| | Citi Bank NA | - | 350,000,000 |
| | National Bank Ltd. | - | 300,000,000 |
| | ICB Islami Bank Ltd. | 50,000,000 | - |
| | Bangladesh Commerce Bank Ltd. | - | 380,000,000 |
| | Sonali Bank Ltd. | - | 500,000,000 |
| | HSBC | - | 140,000,000 |
| | Janata Bank Ltd. | - | 950,000,000 |
| | Bangladesh Development Bank Ltd. | - | 130,000,000 |
| | IPDC | - | 120,000,000 |
| | ICB Islamic Bank Ltd. | - | 450,000,000 |
| | MIDAS Financing Ltd. | - | 40,000,000 |
| | National Housing Finance and Investments Ltd. | - | 20,000,000 |
| | Uttara Finance and Investments Ltd. | - | 100,000,000 |
| | Accrued interest | 2,608,060 | 37,385,000 |
| | | 52,608,060 | 6,617,385,000 |
| | | 3,262,748,341 | 10,124,576,923 |
| 11.2 | Outside Bangladesh | | |
| | Sonali Bank UK | 386,513,441 | 123,612,648 |

(A Schedule of Borrowings from other banks, financial institutions and agents outside Bangladesh is given in **Annexure - D**)

AB Bank Limited
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| | Amounts in Taka | |
|--|------------------------|------------------------|
| | At 31 Dec 2012 | At 31 Dec 2011 |
| 11.3 Analysis by security | | |
| Secured (assets pledge as security for liabilities) | - | - |
| Unsecured | 3,649,261,782 | 10,248,189,572 |
| | 3,649,261,782 | 10,248,189,572 |
| 11.4 Repayment pattern | | |
| Repayable on demand | 386,513,441 | 6,740,997,648 |
| Repayable on maturity (Note: 11.4.1) | 3,262,748,341 | 3,507,191,923 |
| | 3,649,261,782 | 10,248,189,572 |
| 11.4.1 Repayable on maturity | | |
| <u>Bangladesh Bank refinance:</u> | | |
| ADB loan | 28,799,000 | 13,349,000 |
| SME & Women Entrepreneur | 233,149,341 | 115,640,784 |
| Off - Shore Banking Business | - | 327,409,245 |
| | 261,948,341 | 456,399,029 |
| <u>Term borrowings:</u> | | |
| Islamic Investment Bonds | 3,000,800,000 | 3,050,792,894 |
| | 3,262,748,341 | 3,507,191,923 |
| 11(a) Consolidated Borrowings from other banks, financial institutions and agents | | |
| AB Bank Limited | 3,649,261,782 | 10,248,189,572 |
| AB Investment Limited | 2,565,203,769 | 2,370,888,983 |
| AB International Finance Limited | 1,455,596,448 | 1,473,335,528 |
| AB Securities Limited | 247,970,830 | 277,810,967 |
| Cashlink Bangladesh Limited (CBL) | 343,241,029 | - |
| AB Exchange (UK) Ltd. | - | - |
| | 8,261,273,858 | 14,370,225,048 |
| Less: Intercompany transactions | 4,144,291,698 | 3,672,035,477 |
| | 4,116,982,161 | 10,698,189,571 |
| 12. Deposit and other accounts | | |
| Inter-bank deposits | 2,449,359,073 | 3,967,668,000 |
| Other deposits | 137,576,594,818 | 112,184,196,140 |
| | 140,025,953,891 | 116,151,864,140 |
| 12(a) Consolidated Deposit and other accounts | | |
| AB Bank Limited | 140,025,953,891 | 116,151,864,140 |
| AB Investment Limited | - | - |
| AB International Finance Limited | - | - |
| AB Securities Limited | - | - |
| Cashlink Bangladesh Limited (CBL) | - | - |
| AB Exchange (UK) Ltd. | - | - |
| | 140,025,953,891 | 116,151,864,140 |
| Less: Inter-group transaction | 117,910,184 | 326,378,844 |
| | 139,908,043,708 | 115,825,485,296 |
| 12.1 Maturity analysis of inter-bank deposits | | |
| Repayable – on demand | 244,935,907 | 396,766,800 |
| – within 1 month | 1,224,679,537 | 1,983,834,000 |
| – over 1 month but within 3 months | 734,807,722 | 1,190,300,400 |
| – over 3 months but within 1 year | 244,935,907 | 396,766,800 |
| – over 1 year but within 5 years | - | - |
| – over 5 years but within 10 years | - | - |
| – over 10 years | - | - |
| | 2,449,359,073 | 3,967,668,000 |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

| | Amounts in Taka | |
|---|------------------------|------------------------|
| | At 31 Dec 2012 | At 31 Dec 2011 |
| 12.2 Maturity analysis of other deposits | | |
| Repayable – on demand | | |
| – within 1 month | 24,298,588,290 | 21,633,266,030 |
| – over 1 month but within 3 months | 45,055,013,438 | 30,350,788,907 |
| – over 3 months but within 1 year | 46,368,824,849 | 37,750,251,614 |
| – over 1 year but within 5 years | 19,749,343,339 | 21,974,758,582 |
| – over 5 years but within 10 years | 2,104,824,902 | 475,131,008 |
| – over 10 years | - | - |
| | 137,576,594,818 | 112,184,196,141 |
| 12.3 Demand and time deposits | | |
| a) Demand Deposits | 16,292,283,489 | 15,284,649,049 |
| Current accounts and other accounts | 13,487,687,930 | 12,637,906,473 |
| Savings Deposits (9%) | 1,337,448,548 | 1,394,930,380 |
| Bills Payable | 1,467,147,010 | 1,251,812,196 |
| b) Time Deposits | 123,733,670,403 | 100,867,215,091 |
| Savings Deposits (91%) | 13,523,090,879 | 12,554,373,419 |
| Short Notice Deposits | 21,160,436,286 | 12,752,426,708 |
| Fixed Deposits | 80,452,713,916 | 68,077,049,143 |
| Non Resident Foreign Currency Deposits A/C | 287,062,440 | 450,053,540 |
| Other Deposits | 8,310,366,882 | 7,033,312,281 |
| Total Demand and Time Deposits | 140,025,953,891 | 116,151,864,140 |
| 12.4 Sector-wise break up of deposits and other accounts | | |
| Government | 436,114,413 | 487,597,000 |
| Deposit money Banks | 2,449,359,073 | 3,967,668,000 |
| Autonomus & Semi-Autonomous Bodies | 1,806,458,373 | 1,403,425,000 |
| Public Non-Financial Organisation | 18,865,880,199 | 12,630,234,000 |
| Other Public | 1,097,727,074 | 1,204,933,000 |
| Foreign Currency | 3,221,036,565 | 2,427,312,640 |
| Private | 110,913,135,494 | 93,460,753,673 |
| Mumbai Branch | 1,236,242,701 | 569,940,827 |
| | 140,025,953,892 | 116,151,864,140 |
| 13. Other liabilities | | |
| Accumulated provision against loans and advances (Note 13.1) | 2,318,340,874 | 2,347,039,126 |
| Provision for current tax (Note 13.2) | 7,772,599,103 | 6,301,379,868 |
| Deferred tax liabilities (Note 13.3) | 112,104,055 | 68,532,913 |
| Interest suspense account (Note 13.4) | 879,992,653 | 504,511,041 |
| Provision against other assets (Note 13.5) | 282,197,228 | 328,923,966 |
| Provision for outstanding debit entries in NOSTRO accounts | 200,000 | 200,000 |
| Accounts payable - Bangladesh Bank | 66,308,878 | 7,250,356 |
| Accrued expenses | 62,205,113 | 62,361,469 |
| Provision for off balance sheet items (Note 13.6) | 580,000,000 | 510,000,000 |
| Provision against investments (Note 13.7) | 1,597,153,000 | 1,220,753,000 |
| Others (*) | 462,305,337 | 359,130,713 |
| | 14,133,406,241 | 11,710,082,451 |

(*) Others includes provision for audit fee, excise duty, income tax and VAT deducted at source, unclaimed dividend, accounts payable for safe keeping, earnest and security money, etc.

AB Bank Limited
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Amounts in Taka

13.1 Accumulated provision against loans and advances

The movement in specific provision for bad and doubtful debts

| | At 31 Dec 2012 | At 31 Dec 2011 |
|---|----------------------|----------------------|
| Balance at 01 January | 1,030,514,450 | 900,514,450 |
| Fully provided debts written off during the year (-) | 800,135,291 | - |
| Recovery of amounts previously written off (+) | - | - |
| Specific provision made for the year (+) | 711,800,000 | 130,000,000 |
| Transferred from other assets provisions (+) | 60,000,000 | - |
| Transfer from general provision (+) | 13,200,000 | - |
| Recoveries and provision no longer required (-) | - | - |
| Net charge to Profit and Loss Statement (+) | - | - |
| | (15,135,291) | 130,000,000 |
| Balance at 31 December | 1,015,379,159 | 1,030,514,450 |
| Provision made by ABBL, Mumbai Branch | 33,327,401 | - |
| Total provision on classified loans and advances | 1,048,706,561 | 1,030,514,450 |

On unclassified loans

| | | |
|--|----------------------|----------------------|
| Balance at 01 January | 1,278,460,313 | 1,038,460,313 |
| Recoveries and provision no longer required (-) | - | - |
| Transfer to specific provision during the year (-) | 13,200,000 | - |
| General provision made for the year (+) | - | 240,000,000 |
| | (13,200,000) | 240,000,000 |
| Balance at 31 December | 1,265,260,313 | 1,278,460,313 |
| Provision made by ABBL, Mumbai Branch | 4,374,000 | 38,064,363 |
| Total provision on un-classified loans and advances | 1,269,634,313 | 1,316,524,676 |
| Total provision on loans and advances | 2,318,340,874 | 2,347,039,126 |

| | Required | Maintained | Excess |
|----------------------------------|----------------------|----------------------|--------------------|
| Un-classified loans and advances | 1,050,037,044 | 1,269,634,313 | 219,597,269 |
| Classified loans and advances | 1,046,183,401 | 1,048,706,561 | 2,523,159 |
| | 2,096,220,445 | 2,318,340,874 | 222,120,428 |

13.1.1 Details of provision for loans and advances

| | Provision | |
|---|----------------------|----------------------|
| | Required | Maintained |
| General Provision : | 1,050,037,044 | 1,269,634,313 |
| Standard | 1,024,786,844 | 1,244,384,113 |
| Special Mention Account | 25,250,200 | 25,250,200 |
| Specific Provision: | 1,046,183,401 | 1,048,706,561 |
| Substandard | 98,253,601 | 98,253,601 |
| Doubtful | 76,000,500 | 76,000,500 |
| Bad/Loss | 871,929,300 | 874,452,459 |
| Excess provision maintained at 31 December, 2012 | | 222,120,428 |

13.2 Provision for current tax

| | | |
|---------------------------------------|----------------------|----------------------|
| Balance at 01 January | 5,981,196,923 | 4,416,602,048 |
| Add: Provision made during the year | 1,637,116,810 | 1,564,594,875 |
| Less: Adjustment during the year | - | - |
| Balance at 31 December | 7,618,313,733 | 5,981,196,923 |
| Provision held by ABBL, Mumbai Branch | 152,356,750 | 320,182,945 |
| | 7,770,670,483 | 6,301,379,868 |

Corporate income tax assessment of the Bank is completed up to the income year ended 31 December 2008 (assessment year 2009-2010). Corporate income tax assessment for income years 2009, 2010 and 2011 are under process. Tax assessments for income years 1995, 1996 and 1997 were completed but these were referred to the Hon'ble High Court on the application made by the Bank for some disputed points.

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13.6.1 Particulars of required provision for Off-Balance Sheet Items

| | Base for Provision | Rate (%) | 2012 (Taka) | 2011 (Taka) |
|---|-----------------------|----------|--------------------|--------------------|
| Acceptances and endorsements | 19,495,095,913 | 1% | 194,950,959 | 162,920,889 |
| Letters of guarantee | 12,882,332,805 | 1% | 128,823,328 | 108,084,756 |
| Irrevocable letters of credit | 17,863,397,969 | 1% | 178,633,980 | 145,549,833 |
| Bills for collection | 7,314,503,963 | 1% | 73,145,040 | 81,554,666 |
| Total required provision | 57,555,330,651 | | 575,553,307 | 498,110,144 |
| Total provision maintained | | | 580,000,000 | 510,000,000 |
| Excess/(short) provision at 31 December 2012 | | | 4,446,693 | 11,889,856 |

No provision has been maintained against Off Balance Sheet items of Mumbai Branch amounting Tk. 2,035,121,995 as per Reserve Bank of India (RBI) guidelines.

| | Amounts in Taka | | | |
|--|-------------------------------|-----------------------|-------------------------------|---------------|
| | At 31 Dec 2012 | At 31 Dec 2011 | | |
| 13.7 Provision against investments | | | | |
| Balance at 01 January | 1,220,753,000 | 282,553,000 | | |
| Add: Provision made during the year | 376,400,000 | 938,200,000 | | |
| Less: Adjustment during the year | - | - | | |
| Balance at 31 December | 1,597,153,000 | 1,220,753,000 | | |
| Provision for Mumbai Branch | - | - | | |
| Balance at 31 December | 1,597,153,000 | 1,220,753,000 | | |
| 13(a) Consolidated Other liabilities | | | | |
| AB Bank Limited | 14,133,406,241 | 11,710,082,463 | | |
| AB Investment Limited | 891,700,012 | 734,241,163 | | |
| AB International Finance Limited | 65,932,526 | 83,823,692 | | |
| AB Securities Limited | 727,117,384 | 575,761,423 | | |
| Cashlink Bangladesh Limited (CBL) | 18,581,007 | 686,342,416 | | |
| AB Exchange (UK) Ltd. | 13,260,337 | 34,640,607 | | |
| | 15,849,997,507 | 13,824,891,763 | | |
| Less: Inter-group transaction | 559,982,513 | 940,605,656 | | |
| | 15,290,014,994 | 12,884,286,108 | | |
| 14. Share Capital | 4,423,336,680 | 3,686,113,900 | | |
| 14.1 Authorised Capital | | | | |
| 600,000,000 ordinary shares of Taka 10 each | 6,000,000,000 | 6,000,000,000 | | |
| 14.2 Issued, Subscribed and Paid-up Capital | | | | |
| 15,000,000 ordinary shares of Taka 10 each issued for cash | 150,000,000 | 150,000,000 | | |
| 427,333,668 ordinary shares of Taka 10 each issued as bonus shares | 4,273,336,680 | 3,536,113,900 | | |
| | 4,423,336,680 | 3,686,113,900 | | |
| 14.3 Percentage of shareholding | | | | |
| Particulars | As at 31 December 2012 | | As at 31 December 2011 | |
| | No. of shares | % | No. of shares | % |
| Sponsors and public | 439,798,164 | 99.43 | 366,498,470 | 99.43 |
| Government | 2,535,504 | 0.57 | 2,112,920 | 0.57 |
| | 442,333,668 | 100.00 | 368,611,390 | 100.00 |

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14.4 Classification of shareholders by holding

| Holding | No. of holders | | % of total holding | |
|----------------------|----------------|---------------|--------------------|---------------|
| | 2012 | 2011 | 2012 | 2011 |
| Upto 500 | 63,751 | 65,078 | 62.93 | 65.17 |
| 501 to 5,000 | 33,187 | 31,411 | 32.76 | 31.46 |
| 5,001 to 10,000 | 2,420 | 1,803 | 2.39 | 1.81 |
| 10,001 to 20,000 | 1,044 | 806 | 1.03 | 0.81 |
| 20,001 to 30,000 | 293 | 236 | 0.29 | 0.24 |
| 30,001 to 40,000 | 109 | 101 | 0.11 | 0.10 |
| 40,001 to 50,000 | 98 | 85 | 0.10 | 0.09 |
| 50,001 to 100,000 | 181 | 151 | 0.18 | 0.15 |
| 100,001 to 1,000,000 | 180 | 152 | 0.18 | 0.15 |
| Over 1,000,000 | 44 | 34 | 0.04 | 0.03 |
| | 101,307 | 99,857 | 100.00 | 100.00 |

14.5 Names of the Directors and their shareholding as at 31 December 2012

| Name of the Director | Status | No of Shareholding | |
|--|-------------------------------|--------------------|-------------------|
| | | As at 31 Dec 2012 | As at 31 Dec 2011 |
| Mr. M. Wahidul Haque | Chairman | 95,700 | 79,750 |
| Mr. Salim Ahmed | Vice-Chairman | 10,448,076 | 8,706,730 |
| Mr. Feroz Ahmed | Director | 9,177,840 | 7,648,200 |
| Mr. M. A. Awal | Director | 2,772 | 2,310 |
| Mr. Shishir Ranjan Bose, FCA | Independent Director | 1,968 | 1,640 |
| Mr. Faheemul Huq, Bar-at-Law | Director | 379,524 | 316,270 |
| Mr. Syed Afzal Hasan Uddin, Bar-at-Law | Director | 1,968 | 1,640 |
| Mr. Gholam Sarwar | Director | 10,608 | 8,840 |
| Mr. Md. Mesbahul Hoque | Director | 1,968 | 1,640 |
| Mr. Md. Anwar Jamil Siddiqui | Director | 1,968 | 1,640 |
| Mr. B. B. Saha Roy | Director | 1,716 | 1,430 |
| Dr. M. Imtiaz Hossain | Depositor Director | - | - |
| Mrs. Runa Zakia Shahrood Khan | Depositor Director | - | - |
| Mr. M. Fazlur Rahman | President & Managing Director | - | - |

14.6 Capital Adequacy Ratio - As per BASEL II

Consolidated - Capital Adequacy Ratio

In terms of section 13(2) of Banking Companies Act, 1991 and Bangladesh Bank BRPD Circular no. 35 dated 29 December 2010, required capital of the Bank on Consolidated basis at the close of business on 31 December 2012 is Taka 14,974,486,241 as against available core capital of Taka 14,780,288,506 and supplementary capital of Taka 2,639,426,682 that is, a total of Taka 17,419,715,188 thereby showing surplus capital/equity of Taka 2,445,228,947 at that date. Details are shown below:

| | Amounts in Taka | |
|---|-----------------------|-----------------------|
| | At 31 Dec 2012 | At 31 Dec 2011 |
| Core capital (Tier I) | | |
| Fully Paid-up Capital/Capital Deposited with BB | 4,423,336,680 | 3,686,113,900 |
| Statutory Reserve | 5,005,314,801 | 4,390,197,276 |
| Non-repayable share premium account | - | - |
| General Reserve | 120,093,432 | 121,667,832 |
| Retained earnings | 5,261,734,530 | 5,373,409,897 |
| Minority interest in Subsidiaries | (20,230,938) | (18,642,915) |
| Non-Cumulative irredeemable Preferences shares | - | - |
| Dividend Equalization Account | - | - |
| | 14,790,248,506 | 13,552,745,990 |

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Amounts in Taka

| | At 31 Dec 2012 | At 31 Dec 2011 |
|--|-----------------------|-----------------------|
| Deductions from Tier-1 (Core Capital) | | |
| Book value of Goodwill | - | - |
| Shortfall in provisions required against classified assets | - | - |
| Shortfall in provisions required against investment in shares | - | - |
| Remaining deficit on account of revaluation of investments in securities after netting off from any other surplus on the securities. | - | - |
| Reciprocal crossholdings of bank capital/subordinated debt | - | - |
| Any investment exceeding the approved limit under section 26(2) of Bank Company Act, 1991. | - | - |
| Investments in subsidiaries which are not consolidated | 9,960,000 | 9,960,000 |
| Other if any | - | - |
| | 9,960,000 | 9,960,000 |
| Total Eligible Tier-I Capital | 14,780,288,506 | 13,542,785,990 |
| Supplementary capital (Tier II) | | |
| General Provision for Unclassified loans | 1,363,375,361 | 1,368,202,803 |
| General Provision for off Balance Sheet exposure | 580,000,000 | 510,000,000 |
| Assets Revaluation Reserves up to 50% | 697,588,060 | 714,354,848 |
| Revaluation Reserves of Securities (Up to 50%) | 8,423,262 | 7,667,292 |
| Revaluation Reserve for equity instruments up to 10% | - | - |
| All other preference shares | - | - |
| Balance of Exchange Equalisation Fund | - | - |
| Perpetual Subordinated debt | - | - |
| Sub-Total | 2,649,386,682 | 2,600,224,943 |
| Deductions if any | 9,960,000 | 9,960,000 |
| Total Eligible Tier-II Capital | 2,639,426,682 | 2,590,264,943 |
| Capital eligible for market risk (Tier-III) | - | - |
| Short-term subordinated debt | - | - |
| A. Total Eligible Capital | 17,419,715,188 | 16,133,050,933 |
| Total assets including off-Balance Sheet items | 235,107,764,658 | 207,000,193,980 |
| Total risk-weighted assets (RWA) | 149,744,862,415 | 149,391,922,996 |
| B. Total required capital (10% of Total RWA) | 14,974,486,241 | 13,445,273,070 |
| Capital Surplus / (Shortfall) [A-B] | 2,445,228,947 | 2,687,777,864 |
| Capital adequacy ratio | 11.63% | 10.80% |

Solo - Capital Adequacy Ratio

In terms of section 13(2) of Banking Companies Act 1991 and Bangladesh Bank BRPD Circular no. 35 dated 29 December 2010, required capital of the Bank on Solo basis at the close of business on 31 December 2012 is Taka 14,649,219,716 as against available core capital of Taka 14,629,751,509 and supplementary capital of Taka 2,551,661,494 that is, a total of Taka 17,181,413,003 thereby showing surplus capital/equity of Taka 2,532,193,287 at that date. Details are shown below:

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Amounts in Taka

| | At 31 Dec 2012 | At 31 Dec 2011 |
|--|-----------------------|-----------------------|
| Core capital (Tier I) | | |
| Fully Paid-up Capital/Capital Deposited with BB | 4,423,336,680 | 3,686,113,900 |
| Statutory Reserve | 5,005,314,801 | 4,390,197,276 |
| Non-repayable share premium account | - | - |
| General Reserve | 42,199,200 | 42,199,200 |
| Retained earnings | 5,158,900,828 | 5,291,115,537 |
| Minority interest in Subsidiaries | - | - |
| Non-Cumulative irredeemable Preferences shares | - | - |
| Dividend Equalization Account | - | - |
| | 14,629,751,509 | 13,409,625,913 |
| Deductions from Tier-1 (Core Capital) | | |
| Book value of Goodwill | - | - |
| Shortfall in provisions required against classified assets | - | - |
| Shortfall in provisions required against investment in shares | - | - |
| Remaining deficit on account of revaluation of investments in securities after netting off from any other surplus on the securities. | - | - |
| Reciprocal crossholdings of bank capital/subordinated debt | - | - |
| Any investment exceeding the approved limit under section 26(2) of Bank Company Act, 1991. | - | - |
| Investments in subsidiaries which are not consolidated | - | - |
| Other if any | - | - |
| | - | - |
| Total Eligible Tier-I Capital | 14,629,751,509 | 13,409,625,913 |
| Supplementary capital (Tier II) | | |
| General Provision for Unclassified loans | 1,269,634,313 | 1,302,161,756 |
| General Provision for off Balance Sheet exposure | 580,000,000 | 510,000,000 |
| Assets Revaluation Reserves up to 50% | 693,603,919 | 713,870,005 |
| Revaluation Reserves of Securities (Up to 50%) | 8,423,262 | 7,667,292 |
| Revaluation Reserve for equity instruments up to 10% | - | - |
| All other preference shares | - | - |
| Balance of Exchange Equalisation Fund | - | - |
| Perpetual Subordinated debt | - | - |
| Sub-Total | 2,551,661,494 | 2,533,699,054 |
| Deductions if any | - | - |
| Total Eligible Tier-II Capital | 2,551,661,494 | 2,533,699,054 |
| Capital eligible for market risk (Tier-III) | - | - |
| Short-term subordinated debt | - | - |
| A. Total Eligible Capital | 17,181,413,003 | 15,943,324,967 |
| Total assets including off-Balance Sheet items | 235,107,764,658 | 205,558,279,407 |
| Total risk-weighted assets (RWA) | 146,492,197,160 | 140,235,887,391 |
| B. Total required capital (10% of Total RWA) | 14,649,219,716 | 14,023,588,739 |
| Capital Surplus / (Shortfall) [A-B] | 2,532,193,287 | 1,919,736,228 |
| Capital adequacy ratio | 11.73% | 11.37% |

Detailed Disclosure under Pillar III of Basel II is presented in **Annexure E**.

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

Amounts in Taka

| | At 31 Dec 2012 | At 31 Dec 2011 |
|--|----------------------|----------------------|
| 15. Statutory reserve | | |
| In Bangladesh | | |
| Opening balance | 4,230,234,501 | 4,230,234,501 |
| Add: Addition during the year | 594,310,170 | - |
| Add./less Adjustment for Foreign Exchange Rate Fluctuation | - | - |
| | 4,824,544,671 | 4,230,234,501 |
| Outside Bangladesh - ABBL, Mumbai Branch | | |
| Opening balance | 159,962,774 | 165,369,367 |
| Add: Addition during the year | 29,756,322 | - |
| Add./Less) Adjustment | (8,948,966) | (5,406,593) |
| | 180,770,130 | 159,962,774 |
| | 5,005,314,801 | 4,390,197,275 |
| 16. Other reserve | | |
| General reserve (Note 16.1) | 42,199,200 | 42,199,200 |
| Assets revaluation reserve (Note 16.2) | 1,326,815,807 | 1,335,395,306 |
| Investment revaluation reserve (Note 16.3) | 16,846,523 | 15,334,585 |
| Foreign exchange revaluation for investment in foreign operation | 60,392,031 | 92,344,704 |
| | 1,446,253,561 | 1,485,273,794 |
| 16.1 General reserve | | |
| Opening balance | 42,199,200 | 42,199,200 |
| Add : Addition during the year | - | - |
| | 42,199,200 | 42,199,200 |
| 16.2 Assets revaluation reserve | | |
| Opening balance | 1,335,395,306 | 1,338,065,823 |
| Add : Addition during the year | - | - |
| Less : Adjustment during the year | 8,579,499 | 2,670,517 |
| | 1,326,815,807 | 1,335,395,306 |
| 16.3 Investment revaluation reserve (Treasury Bills & Treasury Bonds) | | |
| In Bangladesh | | |
| Revaluation Reserve for: | | |
| Held to Maturity (HTM) (Note: 16.3.1) | 1,235,476 | - |
| Held for Trading (HFT) (Note: 16.3.2) | 3,789,583 | 2,813,207 |
| | 5,025,059 | 2,813,207 |
| Outside Bangladesh | | |
| ABBL, Mumbai branch | 11,821,464 | 12,521,377 |
| | 16,846,523 | 15,334,585 |
| 16.3.1 Revaluation Reserve for Held to Maturity (HTM) | | |
| Opening balance | - | - |
| Add: Addition during the year | 1,235,476 | - |
| | 1,235,476 | - |
| Less: Adjustment during the year | - | - |
| | 1,235,476 | - |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

Amounts in Taka

16.3.2 Revaluation Reserve for Held for Trading (HFT)

| | At 31 Dec 2012 | At 31 Dec 2011 |
|----------------------------------|------------------|------------------|
| Opening balance | 2,813,207 | 3,050,034 |
| Add: Addition during the year | 976,376 | - |
| | 3,789,583 | 3,050,034 |
| Less: Adjustment during the year | - | 236,827 |
| | 3,789,583 | 2,813,207 |

Revaluation reserve of HTM and HFT securities transferred to Revaluation Reserve Account as per Bangladesh Bank DOS Circular No. 05 dated 26 May 2008 of which 50% of revaluation reserve is treated as Supplementary Capital.

16(a) Consolidated Other reserve

| | | |
|-----------------------------------|----------------------|----------------------|
| AB Bank Limited | 1,446,253,561 | 1,485,273,794 |
| AB Investment Limited | - | - |
| AB International Finance Limited | 85,862,514 | 80,438,318 |
| AB Securities Limited | - | - |
| Cashlink Bangladesh Limited (CBL) | - | - |
| AB Exchange (UK) Ltd. | - | - |
| | 1,532,116,076 | 1,565,712,112 |

17. Retained earnings

| | | |
|--|----------------------|----------------------|
| Opening balance | 5,291,115,537 | 4,768,197,863 |
| Add: Post-tax profit for the year | 1,438,537,814 | 1,327,983,705 |
| Less: Transfer to statutory reserve | 624,066,492 | - |
| Cash dividend | 184,305,695 | 320,531,650 |
| Bonus shares issued | 737,222,780 | 480,797,400 |
| | 5,184,058,384 | 5,294,852,518 |
| Add/(Less): Retained earnings adjustment of Mumbai Br. | (1,384,954) | (205,681) |
| Add./.(Less): Foreign Exchange Translation loss | (23,772,601) | (3,531,300) |
| | 5,158,900,828 | 5,291,115,537 |

17(a) Consolidated Retained earnings

| | | |
|-----------------------------------|----------------------|----------------------|
| AB Bank Limited | 5,158,900,828 | 5,291,115,537 |
| AB Investment Limited | 656,771,295 | 771,663,085 |
| AB International Finance Limited | 100,646,480 | 102,587,902 |
| AB Securities Limited | 208,980,372 | 222,959,017 |
| Cashlink Bangladesh Limited (CBL) | (489,608,852) | (436,307,755) |
| AB Exchange (UK) Ltd. | (29,221,119) | (16,433,614) |
| | 5,606,469,004 | 5,935,584,172 |
| Less: Inter group transaction | 393,069,411 | 608,921,189 |
| Minority Interest | (48,334,938) | (42,966,914) |
| | 5,261,734,530 | 5,369,629,897 |

17(b) Mionirity Interest

| | | |
|-----------------------------|---------------------|---------------------|
| AB Investment Limited | 11,948 | 8,724 |
| AB Securities Limited | 717,999 | 759,137 |
| Cashlink Bangladesh Limited | (20,960,885) | (15,630,776) |
| | (20,230,938) | (14,862,916) |

18. Contingent liabilities

59,590,452,646 **52,595,442,736**

18.1 Letters of guarantee

Money for which the Bank is in contingently liable in respect of guarantees issued favoring:

| | | |
|--|-----------------------|-----------------------|
| Directors | - | - |
| Government | - | - |
| Banks and other financial institutions | 290,900,000 | 282,599,985 |
| Others | 12,591,432,805 | 10,527,914,225 |
| | 12,882,332,805 | 10,810,514,210 |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

Profit and Loss Statement

Amounts in Taka

19. Profit and loss account

Income:

| | Year ended 31 Dec 2012 | Year ended 31 Dec 2011 |
|--|---------------------------|---------------------------|
| Interest, discount and similar income | 17,881,807,975 | 14,595,839,122 |
| Dividend income | 428,296,844 | 662,844,135 |
| Fee, commission and brokerage | 1,679,196,940 | 1,436,211,995 |
| Gains less losses arising from investment securities | 118,271,311 | 140,925,608 |
| Gains less losses arising from dealing in foreign currencies | 782,073,910 | 776,810,269 |
| Other operating income | 137,035,990 | 494,874,188 |
| Gains less losses arising from dealing securities | (237,907) | 71,929,031 |
| Income from non-banking assets | - | - |
| Profit less losses on interest rate changes | - | - |
| | 21,026,445,063 | 18,179,434,349 |

Expenses:

| | | |
|---|-----------------------|-----------------------|
| Interest, fee and commission | 12,591,500,175 | 10,436,688,668 |
| Administrative expenses | 2,663,462,555 | 2,319,158,101 |
| Other operating expenses | 1,092,645,976 | 812,078,775 |
| Depreciation and amortization on banking assets | 315,808,246 | 299,304,368 |
| Losses on loans and advances | - | - |
| | 16,663,416,952 | 13,867,229,912 |
| | 4,363,028,111 | 4,312,204,437 |

20. Interest income/profit on investments

Interest on loans and advances:

| | | |
|--------------------------------|-----------------------|-----------------------|
| Loans and advances | 14,491,001,642 | 12,052,226,551 |
| Bills purchased and discounted | 380,580,541 | 349,503,689 |
| | 14,871,582,183 | 12,401,730,239 |

Interest on:

| | | |
|------------------------------|--------------------|--------------------|
| Calls and placements | 827,465,454 | 411,452,027 |
| Balance with foreign banks | 12,374,158 | 16,949,092 |
| Reverse Repo | 1,554,267 | - |
| Balance with Bangladesh Bank | 1,030,547 | 706,396 |
| | 842,424,426 | 429,107,515 |

Profit/(Loss) due to change in interest rate

15,714,006,609 **12,830,837,754**

20(a). Consolidated Interest income/profit on investments

| | | |
|-----------------------------------|-----------------------|-----------------------|
| AB Bank Limited | 15,714,006,609 | 12,830,837,754 |
| AB International Finance Limited | 90,780,158 | 98,428,016 |
| AB Investment Limited | 804,780,550 | 855,419,891 |
| AB Securities Limited | 181,740,823 | 169,651,695 |
| Cashlink Bangladesh Limited (CBL) | 20,522,424 | 35,304,098 |
| AB Exchange (UK) Ltd. | - | - |
| | 16,811,830,564 | 13,989,641,453 |
| Less Intercompany Transactions | 314,265,965 | 194,306,734 |
| | 16,497,564,598 | 13,795,334,719 |

21. Interest/profit paid on deposits, borrowings, etc.

Interest on deposits:

| | | |
|-------------------------|-----------------------|----------------------|
| Fixed deposits | 9,023,336,233 | 6,984,998,923 |
| Savings deposits | 549,053,469 | 502,675,488 |
| Special notice deposits | 1,095,574,906 | 941,553,635 |
| Other deposits | 843,812,854 | 677,029,794 |
| | 11,511,777,463 | 9,106,257,840 |

Interest on borrowings:

| | | |
|---|-----------------------|-----------------------|
| Local banks, financial institutions including Bangladesh Bank | 1,079,722,712 | 1,330,430,828 |
| | 12,591,500,175 | 10,436,688,668 |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

Amounts in Taka

| | Year ended 31 Dec 2012 | Year ended 31 Dec 2011 |
|---|---------------------------|---------------------------|
| 21(a). Consolidated Interest/profit paid on deposits, borrowings, etc. | | |
| AB Bank Limited | 12,591,500,175 | 10,436,688,668 |
| AB Investment Limited | 322,200,049 | 148,396,065 |
| AB International Finance Limited | 11,254,830 | 15,924,230 |
| AB Securities Limited | 76,242,314 | 64,576,880 |
| Cashlink Bangladesh Limited (CBL) | 294,907 | 3,667,005 |
| AB Exchange (UK) Ltd. | - | - |
| | 13,001,492,276 | 10,669,252,847 |
| Less Intercompany Transactions | 314,560,873 | 197,234,387 |
| | 12,686,931,403 | 10,472,018,461 |
| 22. Investment income | | |
| Capital gain on sale of shares | 118,271,311 | 140,925,608 |
| Interest on treasury bills | 211,761,040 | 87,275,093 |
| Dividend on shares | 428,296,844 | 662,844,135 |
| Interest on debentures | 2,887,500 | 2,887,500 |
| Interest on treasury bonds | 1,933,183,660 | 1,658,729,438 |
| Gain on treasury bills and treasury bonds | (237,907) | 71,929,031 |
| Interest on other bonds & others | 19,969,166 | 16,109,337 |
| | 2,714,131,615 | 2,640,700,142 |
| 22(a). Consolidated Investment income | | |
| AB Bank Limited | 2,714,131,615 | 2,640,700,142 |
| AB Investment Limited | 9,723,524 | 2,804,284 |
| AB International Finance Limited | - | - |
| AB Securities Limited | 357,906 | 49,942,963 |
| Cashlink Bangladesh Limited (CBL) | (3,341,969) | 2,687,901 |
| AB Exchange (UK) Ltd. | - | - |
| | 2,720,871,075 | 2,696,135,290 |
| Less Intercompany Transactions (*) | 394,688,183 | 610,451,826 |
| | 2,326,182,892 | 2,085,683,464 |
| (*) Inter-company transactions includes dividend income from AB Investment Limited, AB Securities Limited and AB International Finance Limited. | | |
| 23. Commission, exchange and brokerage | | |
| Other fees, commission and service charges | 885,205,326 | 735,480,419 |
| Commission on letters of credit | 627,048,434 | 535,264,543 |
| Commission on letters of guarantee | 166,943,180 | 165,467,034 |
| Exchange gains less losses arising from dealings in foreign currencies | 782,073,910 | 776,810,269 |
| | 2,461,270,850 | 2,213,022,264 |
| 23(a). Consolidated Commission, exchange and brokerage | | |
| AB Bank Limited | 2,461,270,850 | 2,213,022,264 |
| AB Investment Limited | 127,732,776 | 334,125,356 |
| AB International Finance Limited | 29,603,255 | 28,744,481 |
| AB Securities Limited | 63,805,577 | 99,298,421 |
| Cashlink Bangladesh Limited (CBL) | 17,300,450 | 12,502,314 |
| AB Exchange (UK) Ltd. | 2,988,433 | 704,462 |
| | 2,702,701,341 | 2,688,397,297 |
| Less Intercompany Transactions | 12,746,308 | 8,011,985 |
| | 2,689,955,033 | 2,680,385,312 |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

Amounts in Taka

| | Year ended 31 Dec 2012 | Year ended 31 Dec 2011 |
|---|---------------------------|---------------------------|
| 24. Other income | | |
| Locker rent, insurance claim and others | 6,219,049 | 13,497,154 |
| Recoveries on loans previously written off | 35,168,196 | 80,646,113 |
| Recoveries on telex, telephone, fax, etc. | 63,522,869 | 61,024,588 |
| Recoveries on courier, postage, stamp, etc. | 20,032,872 | 21,602,285 |
| Gain on sale of Bank property | 10,803,848 | 317,659,753 |
| Non-operating income (*) | 1,289,155 | 444,295 |
| | 137,035,990 | 494,874,188 |

(*) Non-operating income includes sale of vehicles, old tyres, tubes, newspapers, furniture, fixtures, etc.

24(a). Consolidated other income

| | | |
|-----------------------------------|--------------------|--------------------|
| AB Bank Limited | 137,035,990 | 494,874,188 |
| AB Investment Limited | 7,609,863 | 14,107,745 |
| AB International Finance Limited | 49,681,915 | 42,741,498 |
| AB Securities Limited | 1,946,917 | 2,802,123 |
| Cashlink Bangladesh Limited (CBL) | 25,969,514 | 34,273,690 |
| AB Exchange (UK) Ltd. | - | - |
| | 222,244,200 | 588,799,244 |
| Less: Inter company transactions | 30,568,792 | 12,186,853 |
| | 191,675,408 | 576,612,391 |

25. Salary and allowances

| | | |
|--|----------------------|----------------------|
| Basic salary, provident fund contribution and all other allowances | 1,665,459,857 | 1,553,450,316 |
| Festival and incentive bonus | 202,684,694 | 115,996,714 |
| | 1,868,144,551 | 1,669,447,030 |

25(a). Consolidated salary and allowances

| | | |
|-----------------------------------|----------------------|----------------------|
| AB Bank Limited | 1,868,144,551 | 1,669,447,030 |
| AB Investment Limited | 15,773,047 | 19,799,282 |
| AB International Finance Limited | 23,725,543 | 28,703,609 |
| AB Securities Limited | 22,480,470 | 23,544,602 |
| Cashlink Bangladesh Limited (CBL) | 14,508,748 | 15,435,463 |
| AB Exchange (UK) Ltd. | 6,554,757 | 4,499,046 |
| | 1,951,187,116 | 1,761,429,031 |

26. Rent, taxes, insurance, electricity, etc.

| | | |
|-------------------------------|--------------------|--------------------|
| Rent, rates and taxes | 250,081,050 | 221,963,803 |
| Electricity, gas, water, etc. | 71,544,669 | 47,824,822 |
| Insurance | 87,906,055 | 68,842,844 |
| | 409,531,774 | 338,631,469 |

26(a). Consolidated Rent, taxes, insurance, electricity, etc.

| | | |
|-----------------------------------|--------------------|--------------------|
| AB Bank Limited | 409,531,774 | 338,631,469 |
| AB Investment Limited | 3,054,881 | 6,936,509 |
| AB International Finance Limited | 6,196,402 | 5,357,748 |
| AB Securities Limited | 7,275,468 | 7,253,299 |
| Cashlink Bangladesh Limited (CBL) | 5,352,716 | 5,414,195 |
| AB Exchange (UK) Ltd. | 3,183,925 | 3,840,415 |
| | 434,595,166 | 367,433,636 |
| Less: Inter company transactions | 4,735,134 | 9,259,200 |
| | 429,860,032 | 358,174,436 |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

| | | Amounts in Taka | |
|---|--|---------------------------|---------------------------|
| | | Year ended 31 Dec 2012 | Year ended 31 Dec 2011 |
| 27. Legal expenses | | | |
| | Legal expenses | 10,107,729 | 5,071,404 |
| 27(a). Consolidated Legal expenses | | | |
| | AB Bank Limited | 10,107,729 | 5,071,404 |
| | AB Investment Limited | 160,200 | 596,500 |
| | AB International Finance Limited | 343,743 | 721,937 |
| | AB Securities Limited | - | 221,125 |
| | Cashlink Bangladesh Limited (CBL) | 475,157 | 156,750 |
| | AB Exchange (UK) Ltd. | - | - |
| | | 11,086,830 | 6,767,716 |
| 28. Postage, stamp, telecommunication, etc. | | | |
| | Telex, fax, internet, wireless link, SWIFT, etc. | 101,679,961 | 66,642,909 |
| | Telephone | 12,222,858 | 11,669,627 |
| | Postage, stamp and shipping | 25,134,913 | 26,490,698 |
| | | 139,037,732 | 104,803,234 |
| 28(a). Consolidated Postage, stamp, telecommunication, etc. | | | |
| | AB Bank Limited | 139,037,732 | 104,803,234 |
| | AB Investment Limited | 957,475 | 936,024 |
| | AB International Finance Limited | 7,046,147 | 5,114,432 |
| | AB Securities Limited | 1,482,487 | 1,859,960 |
| | Cashlink Bangladesh Limited (CBL) | 749,143 | 800,147 |
| | AB Exchange (UK) Ltd. | 348,191 | 168,913 |
| | | 149,621,175 | 113,682,711 |
| | Less: Inter company transactions | 12,746,308 | - |
| | | 136,874,867 | 113,682,711 |
| 29. Stationery, printing, advertisements, etc. | | | |
| | Printing and stationery | 117,501,261 | 96,041,453 |
| | Publicity, advertisement, etc. | 39,987,100 | 42,205,166 |
| | | 157,488,361 | 138,246,619 |
| 29(a). Consolidated Stationery, printing, advertisements, etc. | | | |
| | AB Bank Limited | 157,488,361 | 138,246,619 |
| | AB Investment Limited | 497,387 | 802,111 |
| | AB International Finance Limited | 396,905 | 488,431 |
| | AB Securities Limited | 665,217 | 717,896 |
| | Cashlink Bangladesh Limited (CBL) | 120,410 | 116,559 |
| | AB Exchange (UK) Ltd. | 15,382 | 1,468,888 |
| | | 159,183,662 | 141,840,504 |
| 30. Directors' fees | | | |
| | Directors' fees | 1,950,400 | 1,527,950 |
| | Meeting expenses | 889,807 | 500,946 |
| | | 2,840,207 | 2,028,896 |

Directors' fees includes fees for attending the meeting of the Board, Executive Committee, Audit Committee and Shariah Council. Each director was remunerated @ Tk.5,000 per meeting.

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

Amounts in Taka

30(a). Consolidated Directors' fees

AB Bank Limited
AB Investment Limited
AB International Finance Limited
AB Securities Limited
Cashlink Bangladesh Limited (CBL)
AB Exchange (UK) Ltd.

| Year ended 31 Dec 2012 | Year ended 31 Dec 2011 |
|---------------------------|---------------------------|
| 2,840,207 | 2,028,896 |
| 92,000 | 103,500 |
| - | - |
| 218,500 | 103,500 |
| 38,500 | 30,000 |
| - | - |
| 3,189,207 | 2,265,896 |

31. Auditors' fees

Statutory (*)
Others

| | |
|------------------|------------------|
| 1,493,095 | 631,082 |
| 3,424,403 | 1,191,311 |
| 4,917,497 | 1,822,393 |

* Statutory audit fees for the year 2012 include Taka 829,150 in Bangladesh and Taka 663,945 in Mumbai Branch.

31(a). Consolidated Auditors' fees

AB Bank Limited
AB Investment Limited
AB International Finance Limited
AB Securities Limited
Cashlink Bangladesh Limited (CBL)
AB Exchange (UK) Ltd.

| | |
|------------------|------------------|
| 4,917,497 | 1,822,393 |
| 103,500 | 83,600 |
| 316,231 | 287,167 |
| 62,500 | 57,250 |
| 80,000 | 150,000 |
| 551,487 | 706,583 |
| 6,031,215 | 3,106,993 |

32. Depreciation and repairs of Bank's assets

Depreciation

Electrical appliances
Furniture and fixtures
Office appliances
Building
Motor vehicles

| | |
|-------------|-------------|
| 173,365,503 | 151,256,419 |
| 13,076,153 | 12,134,663 |
| 3,460,627 | 3,900,374 |
| 15,037,701 | 19,450,028 |
| 68,033,213 | 66,786,215 |
| 272,973,197 | 253,527,699 |

Repairs

Motor vehicles
Electrical appliances
Office premises and others
Furniture and fixtures
Office appliances

| | |
|------------|------------|
| 17,396,654 | 14,523,544 |
| 19,289,072 | 16,710,796 |
| 21,284,150 | 13,809,525 |
| 1,109,569 | 1,222,953 |
| 3,631,523 | 3,053,719 |
| 62,710,969 | 49,320,538 |

Amortization of Intangible Assets

| | |
|--------------------|--------------------|
| 335,684,166 | 302,848,237 |
| 42,835,049 | 45,776,669 |
| 378,519,215 | 348,624,906 |

32(a). Consolidated Depreciation and repairs of Bank's assets

AB Bank Limited
AB Investment Limited
AB International Finance Limited
AB Securities Limited
Cashlink Bangladesh Limited (CBL)
AB Exchange (UK) Ltd.

| | |
|--------------------|--------------------|
| 378,519,215 | 348,624,906 |
| 16,264,120 | 3,495,996 |
| 519,675 | 386,949 |
| 6,053,015 | 5,517,917 |
| 54,958,719 | 56,620,922 |
| 3,448,511 | 2,050,154 |
| 459,763,255 | 416,696,843 |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

Amounts in Taka

| | Year ended 31 Dec 2012 | Year ended 31 Dec 2011 |
|---|---------------------------|---------------------------|
| 33. Other expenses | | |
| Contractual service | 242,611,022 | 186,363,933 |
| Amortization of deferred revenue expenses | 286,305,106 | 163,377,243 |
| Petrol, oil and lubricant | 64,945,348 | 47,840,014 |
| Software expenses | 68,346,287 | 54,829,027 |
| Entertainment | 63,786,226 | 39,355,631 |
| Travelling | 38,774,334 | 47,308,260 |
| Subscription, membership and sponsorship | 26,235,643 | 27,059,849 |
| Training, seminar and workshop | 8,773,550 | 7,079,757 |
| Local conveyance | 8,217,635 | 7,677,176 |
| Professional charges | 50,975,339 | 18,775,363 |
| Books, newspapers and periodicals | 1,272,834 | 1,734,259 |
| Branch opening expenses | 336,036 | 802,901 |
| Bank Charges | 7,507,679 | 8,415,555 |
| Sundry expenses (*) | 224,558,936 | 201,459,807 |
| | 1,092,645,976 | 812,078,775 |

(*) Sundry expenses includes corporate expenses, business promotion, expenses on managers' conferences and annual general meeting, loss on sale of assets, non-operating expenses and other miscellaneous expenses.

33(a). Consolidated other expenses

| | | |
|-----------------------------------|----------------------|--------------------|
| AB Bank Limited | 1,092,645,976 | 812,078,775 |
| AB Investment Limited | 12,200,791 | 27,299,544 |
| AB International Finance Limited | 3,974,970 | 2,298,305 |
| AB Securities Limited | 11,951,068 | 22,266,970 |
| Cashlink Bangladesh Limited (CBL) | 36,854,257 | 48,401,789 |
| AB Exchange (UK) Ltd. | 1,419,558 | 3,804,619 |
| | 1,159,046,620 | 916,150,002 |
| Less: Inter company transactions | 25,833,658 | 8,011,985 |
| | 1,133,212,962 | 908,138,017 |

34. Provision against loans and advances

| | | |
|------------------------|--------------------|--------------------|
| On un-classified loans | 382,142 | 254,672,572 |
| On classified loans | 711,800,000 | 130,000,000 |
| | 712,182,142 | 384,672,572 |

34(a). Consolidated provision against loans and advances

| | | |
|-----------------------------------|--------------------|--------------------|
| AB Bank Limited | 712,182,142 | 384,672,572 |
| AB Investment Limited | - | - |
| AB International Finance Limited | - | - |
| AB Securities Limited | - | 27,700,000 |
| Cashlink Bangladesh Limited (CBL) | - | - |
| AB Exchange (UK) Ltd. | - | - |
| | 712,182,142 | 412,372,572 |

35. Provisions for diminution in value of investments

| | | |
|------------------|--------------------|--------------------|
| In quoted shares | 376,400,000 | 940,140,693 |
|------------------|--------------------|--------------------|

Provisions for diminution in value of investments has been maintained in accordance with Bangladesh Bank DOS Circular No. 04 dated November 24, 2011 and as per the letter # DOS(SR) 1153/161/2012-427 dated December 30, 2012.

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

Amounts in Taka

35(a). Consolidated provisions for diminution in value of investments

AB Bank Limited
AB Investment Limited
AB International Finance Limited
AB Securities Limited
Cashlink Bangladesh Limited (CBL)
AB Exchange (UK) Ltd.

| Year ended 31 Dec 2012 | Year ended 31 Dec 2011 |
|---------------------------------------|---------------------------|
| 376,400,000 | 940,140,693 |
| 38,161,624 | 77,418,152 |
| - | - |
| 12,003,786 | 11,390,264 |
| - | - |
| - | - |
| 426,565,410 | 1,028,949,109 |
| 36. Other provision | |
| Provision for off balance sheet items | 30,000,000 |
| Provision for Other assets | - |
| 84,160,000 | 30,000,000 |

Provision for prepaid legal expenses and protested bills has been made as per Bangladesh Bank BRPD Circular # 14 dated 25 June 2001.

36(a). Consolidated other provisions

AB Bank Limited
AB Investment Limited
AB International Finance Limited
AB Securities Limited
Cashlink Bangladesh Limited (CBL)
AB Exchange (UK) Ltd.

| | |
|-------------------|-------------------|
| 84,160,000 | 30,000,000 |
| - | - |
| 196,875 | 229,954 |
| - | - |
| - | - |
| - | - |
| 84,356,875 | 30,229,954 |

37. Appropriations

Retained earnings - brought forward
Less: Adjustment for prior year
Add: Post-tax profit for the year

Less: Dividend
Cash dividend
Bonus shares issued

Transferred to:
Statutory reserve
General reserve
Proposed dividend

Retained earnings:

Less. Adjustment during the year
Add/(Less.) Foreign Exchange translation gain

| | |
|----------------------|----------------------|
| 5,291,115,538 | 4,768,197,864 |
| - | - |
| 1,438,537,814 | 1,327,983,705 |
| 6,729,653,351 | 6,096,181,569 |
| 184,305,695 | 320,531,650 |
| 737,222,780 | 480,797,400 |
| 5,808,124,876 | 5,294,852,519 |
| 624,066,492 | - |
| - | - |
| - | - |
| 624,066,492 | - |
| 5,184,058,384 | 5,294,852,519 |
| (1,384,954) | (205,681) |
| (23,772,601) | 3,531,300 |
| 5,161,670,737 | 5,291,115,538 |

38. Earnings per share

Profit after taxation
Number of ordinary shares outstanding
Earnings per share

| | |
|---------------|---------------|
| 1,438,537,814 | 1,327,983,704 |
| 442,333,668 | 442,333,668 |
| 3.25 | 3.00 |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

Amounts in Taka

38. (a) Consolidated Earnings per share

Net Profit attributable to the shareholders of parent company
Number of ordinary shares outstanding

Earnings per share

| Year ended 31 Dec 2012 | Year ended 31 Dec 2011 |
|---------------------------|---------------------------|
| 1,466,950,435 | 1,394,742,598 |
| 442,333,668 | 442,333,668 |
| 3.32 | 3.15 |

Earnings per share (EPS) has been computed by dividing the basic earnings by the number of ordinary shares outstanding as of 31 December 2012 in terms of Bangladesh Accounting Standard (BAS)-33. Accordingly to BAS-33, EPS for the year ended 31 December 2011 was restated for the issues of bonus share in 2011.

39. Receipts from other operating activities

Interest on treasury bills, bonds, debenture and others
Exchange earnings
Recoveries on telex, telephone, fax, etc.
Recoveries on courier, postage, stamp, etc.
Gain on sale of Bank properties
Non-operating income
Others

| | |
|----------------------|----------------------|
| 2,285,834,771 | 1,977,856,008 |
| 782,073,910 | 776,810,269 |
| 63,522,869 | 61,024,588 |
| 20,032,872 | 21,602,285 |
| 10,803,848 | 317,659,753 |
| 1,289,155 | 444,295 |
| 6,219,049 | 13,497,154 |
| 3,169,776,473 | 3,168,894,352 |

40. Payments for other operating activities

Other expenses
Rent, taxes, insurance, electricity, etc.
Postage, stamps, telecommunication, etc.
Repairs of Bank's assets
Legal expenses
Auditor's fees
Directors' fees

| | |
|----------------------|----------------------|
| 1,092,645,976 | 857,855,444 |
| 409,531,774 | 338,631,469 |
| 139,037,732 | 104,803,234 |
| 62,710,969 | 49,320,537 |
| 10,107,729 | 5,071,404 |
| 4,917,497 | 1,822,393 |
| 2,840,207 | 2,028,896 |
| 1,721,791,884 | 1,359,533,378 |

41. (Increase)/decrease in other assets

Inter-branch adjustment
Arab Bangladesh Bank Foundation
Preliminary, formation, organizational, renovation, development and prepaid expenses
Exchange for clearing
Accounts receivable
Interest accrued on investment but not collected, commission and brokerage receivable on shares and debentures, and other income receivables
Security deposits
Advance rent and advertisement
Stationery, stamps, printing materials, etc.
Investment in Subsidiaries

| | |
|--------------------|----------------------|
| 4,191,700 | 43,591,061 |
| 19,920,000 | 19,920,000 |
| 1,033,615,467 | 1,889,291,424 |
| 703,078,129 | 973,715,632 |
| 1,232,257,570 | 831,971,409 |
| 686,226,038 | 631,698,881 |
| 267,435,160 | 156,779,788 |
| 156,275,414 | 145,251,391 |
| 34,546,476 | 43,288,063 |
| 5,449,962,172 | 5,417,681,425 |
| 9,587,508,127 | 10,153,189,074 |
| 565,680,945 | (112,710,282) |

Net Decrease/(Increase)

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

Amounts in Taka

42. Increase/(decrease) in other liabilities

| | Year ended 31 Dec 2012 | Year ended 31 Dec 2011 |
|--|---------------------------|---------------------------|
| Accumulated provision against loans and advances | 2,318,340,874 | 2,347,039,126 |
| Provision for current tax | 7,772,599,103 | 6,301,379,868 |
| Deferred tax liabilities | 112,104,055 | 68,532,913 |
| Interest suspense account | 879,992,653 | 504,511,041 |
| Accounts payable - Bangladesh Bank | 66,308,878 | 7,250,356 |
| Provision against other assets | 282,197,228 | 328,923,966 |
| Accrued expenses | 62,205,113 | 62,361,469 |
| Provision against investments | 1,597,153,000 | 1,220,753,000 |
| Provision against off balance sheet items | 580,000,000 | 510,000,000 |
| Provision for outstanding debit entries in NOSTRO accounts | 200,000 | 200,000 |
| Others | 462,305,337 | 359,130,713 |
| | 14,133,406,241 | 11,710,082,451 |
| Less: Adjustment for provision & Others | 12,866,763,943 | 10,078,744,425 |
| Net Decrease | (364,695,728) | (217,879,038) |

43. Conversion Rates

Assets and liabilities as at 31 December 2012 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</u> |
|------------------------|------------------------------|-----------------------|
| British Pound Sterling | GBP 1.00 | 129.1173 |
| European Currency | EURO 1.00 | 105.5775 |
| Indian Rupee | INR 1.00 | 1.4580 |
| Japanese Yen | JPY 1.00 | 0.9279 |
| US Dollar | USD 1.00 | 79.8499 |
| Honkong Dollar | HKD 1.00 | 10.3008 |
| U.A.E Dirham | DIRHAM 1.00 | 21.7397 |

AB Bank Limited
Notes to financial statements
For the year ended 31 December 2012

44 Highlights of the overall activities of the Bank

| SI # | Particulars | 2012 Taka | 2011 Taka |
|------|--|-----------------|-----------------|
| 1 | Paid-up capital | 4,423,336,680 | 3,686,113,900 |
| 2 | Total capital | 17,181,413,003 | 15,943,324,967 |
| 3 | Capital surplus | 2,532,193,287 | 1,919,736,228 |
| 4 | Total assets | 173,842,427,785 | 152,962,836,670 |
| 5 | Total deposits | 140,025,953,891 | 116,151,864,140 |
| 6 | Total loans and advances | 106,065,758,923 | 94,638,218,363 |
| 7 | Total contingent liabilities and commitments | 59,590,452,646 | 52,595,442,736 |
| 8 | Credit-deposit ratio | 75.75 | 81.48 |
| 9 | Ratio of classified loans against total loans and advances | 3.32 | 2.82 |
| 10 | Profit after tax and provision | 1,438,537,814 | 1,327,983,704 |
| 11 | Loans Classified during the Year | 1,757,452,927 | 819,320,002 |
| 12 | Provision kept against classified loans | 1,048,706,561 | 1,030,514,450 |
| 13 | Provision surplus/ (deficit) | 222,120,428 | 208,217,763 |
| 14 | Cost of fund | 12.07% | 11.19% |
| 15 | Interest earning assets | 144,166,850,868 | 125,049,153,075 |
| 16 | Non-interest earning assets | 29,675,576,917 | 27,913,683,595 |
| 17 | Return on investments (ROI) | 11.39% | 14.62% |
| 18 | Return on assets (ROA) | 0.88% | 0.93% |
| 19 | Income from investments | 2,714,131,615 | 2,640,700,142 |
| 20 | Earnings per share | 3.25 | 3.00 |
| 21 | Net Income per share | 3.25 | 3.00 |
| 22 | Price-earnings ratio (Times) | 10.36 | 22.75 |

for AB Bank Limited



M. Fazlur Rahman
Managing Director



Runa Zakia Shahrood Khan
Director



B. B. Saha Roy
Director



M. Wahidul Haque
Chairman

Dhaka, Bangladesh
Dated, 28 March 2013

AB Bank Limited
Currency wise Balances
As at 31 December 2012

Annex A

| Name of the bank | Location | Name of currency | Amounts in foreign currency | Conversion rate | Equivalent amounts in Taka |
|-----------------------------------|---------------|------------------|-----------------------------|-----------------|----------------------------|
| The Bank of Tokyo Mitsubishi Ltd. | Tokyo | YEN | 2,223,060.00 | 0.9279 | 2,062,777 |
| HSBC Plc | London | UKP | 103,304.78 | 129.1173 | 13,338,434 |
| Sonali Bank, UK | London | UKP | 17,500.00 | 129.1173 | 2,259,553 |
| JP Morgan Chase Bank | New York | USD | 5,085,705.69 | 79.8499 | 406,093,091 |
| Sonali Bank Ltd | Kolkata | ACUD | 42,582.34 | 79.8499 | 3,400,196 |
| Sonali Bank, UK | London | USD | 111,776.27 | 79.8499 | 8,925,324 |
| Myanmar Economic Bank | Yangon | USD | 410.00 | 79.8499 | 32,738 |
| Citibank NA | New York | USD | 1,205,988.04 | 79.8499 | 96,298,024 |
| Hatton National Bank Ltd. | Colombo | ACUD | 3,302.76 | 79.8499 | 263,725 |
| Commerz Bank AG | Frankfurt | USD | 402,021.19 | 79.8499 | 32,101,352 |
| State Bank of India | Kolkata | ACUD | 15,725.32 | 79.8499 | 1,255,665 |
| NIB Bank Ltd. | Karachi | ACUD | 10,714.41 | 79.8499 | 855,545 |
| Mashreq Bank Psc | New York | USD | 671,252.48 | 79.8499 | 53,599,443 |
| Nepal Bangladesh Bank Ltd. | Katmandu | ACUD | 43,207.25 | 79.8499 | 3,450,095 |
| Bank of Bhutan | Phuentsholing | ACUD | 94,461.94 | 79.8499 | 7,542,776 |
| SCB | Singapur | SGD | 54,987.50 | 65.2475 | 3,587,797 |
| Wells Fargo N.A | New York | USD | 1,729,296.08 | 79.8499 | 138,084,119 |
| Habib American Bank | New York | USD | 657,718.77 | 79.8499 | 52,518,778 |
| Commerz Bank AG | Frankfurt | EURO | 165,823.73 | 105.5775 | 17,507,255 |
| Hypovereins Bank | Humburgh | EURO | 26,623.64 | 105.5775 | 2,810,857 |
| HSBC | Karachi | ACUD | 1,095.91 | 79.8499 | 87,508 |
| National Commercial Bank Ltd. | Jeddah | USD | 450,891.51 | 79.8499 | 36,003,642 |
| Habib Metro Bank | Karachi | ACUD | 70,997.71 | 79.8499 | 5,669,160 |
| U.B.A.F | Banques | ACUD | 19,810.00 | 79.8499 | 1,581,827 |
| Habib Bank AG | Abudhabi | AED | 37,172.82 | 21.7397 | 808,126 |
| HSBC | New York | USD | 1,511,004.49 | 79.8499 | 120,653,557 |
| HSBC NY (OBU) | New York | USD | 45,426.70 | 79.8499 | 3,627,317 |
| UBAF (Hong Kong) Limited | Hong Kong | USD | 767.15 | 79.8499 | 61,257 |
| AB International Finance Ltd. | Hong Kong | USD | 18,220,000 | 79.8499 | 1,454,865,178 |
| Reserve Bank of India | Mumbai | INR | 18,201,860 | 1.458 | 26,538,311 |
| HDFC BANK CSGL | Mumbai | INR | 413,400 | 1.458 | 602,738 |
| HDFC Bank Ltd. | Mumbai | INR | 9,890,761 | 1.458 | 14,420,730 |
| JP Morgan Chase - USD | Newyork | USD | 47,749.17 | 80.190 | 3,829,006 |
| HSBC - EURO | London | EURO | 15,254.41 | 105.720 | 1,612,690 |
| Commerz Bank - EURO | Frankfurt | EURO | 140,390.74 | 105.720 | 14,842,050 |
| HSBC - STG POUND | London | STG PND | 21,783.19 | 129.645 | 2,824,090 |
| HSBC - USD | Newyork | USD | 1,568,897.25 | 80.190 | 125,809,870 |
| HSBC ACU EURO | London | EURO | 5,737.37 | 105.720 | 606,552 |
| HABIB AMERICAN BANK LTD. | Newyork | USD | 1,671.37 | 80.190 | 134,027 |
| HSBC - ACU - USD | Newyork | USD | 5,496,061.66 | 80.190 | 440,729,185 |
| CITY BANK OBU | EPZ | USD | 2,000,000.00 | 79.850 | 159,699,800 |
| Total | | | | | 3,260,994,166 |

AB Bank Limited
Investment in Shares
As at 31 December 2012

Annex B

| Particulars | Number of shares | Market price per share/ Taka | Total market price/ Taka | Cost per Share | Total cost/ Taka |
|--|------------------|------------------------------|--------------------------|----------------|----------------------|
| Shares (quoted) | | | | | |
| National Bank Limited | 1,000,000 | 22.10 | 22,100,000 | 46.51 | 46,512,849 |
| Social Investment Bank Limited | 941,750 | 19.40 | 18,269,950 | 19.88 | 18,723,165 |
| BSRM Steels Limited | 2,406,000 | 67.90 | 163,367,400 | 133.38 | 320,922,943 |
| GPH Ispat Limited | 929,000 | 50.10 | 46,542,900 | 66.97 | 62,218,855 |
| Olympic Industries | 1,523,000 | 98.40 | 149,863,200 | 105.08 | 160,041,301 |
| LankaBangla Finance Limited | 400,000 | 59.00 | 23,600,000 | 94.57 | 37,826,900 |
| Union Capital Limited | 1,480,000 | 27.80 | 41,144,000 | 100.70 | 149,037,202 |
| Fu Wang Food | 2,240,000 | 26.00 | 58,240,000 | 38.72 | 86,728,685 |
| Dhaka Electric Supply Company Limited | 4,581,500 | 72.10 | 330,326,150 | 120.74 | 553,190,265 |
| Jamuna Oil Company Limited | 668,600 | 178.50 | 119,345,100 | 195.68 | 130,831,831 |
| Khulna Power Company Limited | 4,380,855 | 49.80 | 218,166,579 | 114.99 | 503,738,802 |
| Meghna Petroleum Limited | 792,200 | 158.50 | 125,563,700 | 174.44 | 138,191,226 |
| Navana CNG Limited | 1,381,600 | 79.80 | 110,251,680 | 88.92 | 122,852,280 |
| Power Grid Company of Bangladesh Ltd. | 3,366,500 | 55.60 | 187,177,400 | 81.61 | 274,723,472 |
| Titas Gas Transmission & Dis. Co. Ltd. | 2,887,125 | 65.30 | 188,529,263 | 81.76 | 236,039,485 |
| National Life Insurance | 129,750 | 302.70 | 39,275,325 | 390.91 | 50,720,780 |
| Pragati Insurance | 934,146 | 62.40 | 58,290,710 | 134.43 | 125,579,296 |
| AB Bank 1st Mutual Fund | 30,000,000 | 10.40 | 312,000,000 | 10.00 | 300,000,000 |
| LR Global Bangladesh Mutual Fund One | 10,000,000 | 10.00 | 100,000,000 | 10.00 | 100,000,000 |
| Popular Life First Mutual Fund | 500,000 | 7.20 | 3,600,000 | 10.00 | 5,000,000 |
| Beximco | 2,312,250 | 64.40 | 148,908,900 | 145.79 | 337,094,013 |
| GrameenPhone Limited | 920,000 | 175.00 | 161,000,000 | 204.17 | 187,837,715 |
| Keya Cosmetics | 775,500 | 30.60 | 23,730,300 | 38.86 | 30,137,101 |
| ShinePukur Ceramics Limited | 994,750 | 27.20 | 27,057,200 | 66.85 | 66,501,145 |
| Beacon Pharmaceuticals Limited | 6,642,500 | 16.50 | 109,601,250 | 73.96 | 491,289,694 |
| Beximco Pharma | 5,609,180 | 55.90 | 313,553,162 | 80.79 | 453,181,176 |
| | | | | | |
| Total | | | 3,099,504,169 | 2,583 | 4,988,920,181 |

Shares/Bond (unquoted)

| Particulars | Number of shares | Cost per Share | Book Value/ Cost/Taka |
|---------------------------------|------------------|----------------|-----------------------|
| CDBL | 4,000,000 | 2.50 | 10,000,000 |
| CDBL (Placement) | 569,443 | 10.00 | 5,694,430 |
| Fiber home Ltd. | 500,000 | 100.00 | 50,000,000 |
| IIDFCL | 105,765 | 100.00 | 10,576,501 |
| Orion Laboratories | 1,000,000 | 100.00 | 100,000,000 |
| Amana Bank Limited, Srilanka | 135,421,508 | 3.11 | 421,804,037 |
| Bangladesh Fund | | | 200,000,000 |
| Stock Market Stabilization Fund | | | 5,000,000 |
| Total | | | 803,074,968 |

Provisions for diminution in value of investments has been maintained in accordance with Bangladesh Bank DOS Circular No. 04 dated November 24, 2011 and as per the letter # DOS(SR) 1153/161/2012-427 dated December 30, 2012.

AB Bank Limited
Schedule of Fixed Assets
As of 31 December 2012

Annexure - C

| Particulars | Amount in Taka | | | | | | Total |
|--|----------------------|------------------------|-------------------|-----------------------|--------------------|--------------------|----------------------|
| | Land and Building | Furniture and Fixtures | Office Appliances | Electrical Appliances | Motor Vehicles | Intangible Assets | |
| Cost | | | | | | | |
| Balance at 01 January 2012 | 3,124,992,006 | 190,467,309 | 61,283,755 | 1,052,984,051 | 354,969,273 | 233,880,471 | 5,018,576,865 |
| Addition during the year | - | 14,000,403 | 1,277,674 | 311,879,525 | 127,362,651 | 20,869,108 | 475,389,361 |
| Less : Disposal/Adjustment during the year | 13,051,800 | 1,488,519 | 261,631 | 6,459,046 | 2,500,000 | 35,870,248 | 59,631,244 |
| Adjusted for INR Rate Fluctuation | - | 190,112 | 636,063 | 4,557,788 | 248,872 | - | 5,632,835 |
| At 31 December 2012 | 3,111,940,206 | 202,789,081 | 61,663,735 | 1,353,846,742 | 479,583,052 | 218,879,331 | 5,428,702,146 |
| Accumulated Depreciation | | | | | | | |
| Balance at 01 January 2012 | 45,319,727 | 66,571,576 | 46,302,990 | 523,196,006 | 249,033,309 | - | 930,423,608 |
| Addition during the year | 15,037,701 | 13,076,154 | 3,460,627 | 173,365,502 | 68,033,212 | 42,835,049 | 315,808,245 |
| Less : Disposal/Adjustment during the year | 746,604 | 630,178 | 258,883 | 3,892,704 | 2,499,999 | 35,870,248 | 43,898,615 |
| Adjusted for INR Rate Fluctuation | - | 110,663 | 624,423 | 2,210,414 | 206,152 | - | 3,151,652 |
| At 31 December 2012 | 59,610,824 | 78,906,889 | 48,880,311 | 690,458,390 | 314,360,370 | 6,964,801 | 1,199,181,586 |
| Net Book Value | | | | | | | |
| At 31 December 2012 | 3,052,329,382 | 123,882,191 | 12,783,424 | 663,388,351 | 165,222,682 | 211,914,530 | 4,229,520,560 |
| At 31 December 2011 | 3,079,672,279 | 123,895,733 | 23,904,364 | 520,864,448 | 105,935,964 | 197,792,133 | 4,052,064,921 |

AB Bank Limited
Borrowings from other banks, financial institutions and agents-outside Bangladesh

Annexure - D

| Name of the bank | Location | Currency | At 31 December 2012 | | | At 31 December 2011 | | |
|------------------|----------|----------|-----------------------------|-----------------|----------------------------|-----------------------------|-----------------|----------------------------|
| | | | Amounts in foreign currency | Conversion rate | Equivalent amounts in Taka | Amounts in foreign currency | Conversion rate | Equivalent amounts in Taka |
| Sonali Bank | UK | USD | 4,840,500 | 79.85 | 386,513,441 | - | - | - |
| Sonali Bank | UK | UKP | - | - | - | 979,343 | 126.22 | 123,612,648 |
| Total | | | | | 386,513,441 | | | 123,612,648 |

AB Bank Limited

Detailed of Risk Weighted Assets under Basel II

At 31 December 2012

Annex-E

Amount in Taka

| Risk Weighted Assets (RWA) for | 2012 | | 2011 | |
|------------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Exposure | Risk Weighted Asset | Exposure | Risk Weighted Asset |
| A. Credit Risk | | | | |
| On- Balance sheet (as shown below) | 163,907,161,792 | 102,944,080,682 | 141,277,098,359 | 93,999,693,557 |
| Off-Balance sheet (as shown below) | 28,394,362,285 | 22,108,915,306 | 24,711,941,192 | 23,896,378,840 |
| B. Market Risk | | 7,461,402,644 | - | 8,752,339,039 |
| C. Operational Risk | | 13,977,798,528 | - | 13,587,475,956 |
| Total: RWA (A+B+C) | 192,301,524,077 | 146,492,197,160 | 165,989,039,550 | 140,235,887,391 |

Credit Risk - On Balance Sheet

| Sl. | Exposure Type | 2012 | | 2011 | |
|-----|--|------------------------|------------------------|------------------------|-----------------------|
| | | Exposure | Risk Weighted Asset | Exposure | Risk Weighted Asset |
| a) | Cash and Cash Equivalents | 1,236,694,276 | | 1,003,178,731 | |
| b) | Claims on Bangladesh Government and Bangladesh Bank | 23,959,823,579 | | 18,383,921,540 | |
| c) | Claims on other Sovereigns & Central Banks | 374,529,525 | 187,264,763 | 509,436,831 | 254,718,416 |
| d) | Claims on Bank for International Settlements, International Monetary Fund and European Central Bank | | | | |
| e) | Claims on Multilateral Development Banks (MDBs) | | | | |
| f) | Claims on Public Sector Entities (other than Government) in Bangladesh | 157,132,822 | 78,566,411.00 | 20,000,000 | 10,000,000 |
| g) | Claims on Banks and Non-bank Financial Institution (NBFI): | | | | |
| i) | Original maturity over 3 months | 3,176,508,100 | 1,310,148,100 | 3,604,258,576 | 1,668,818,576 |
| ii) | Maturity less than 3 months | 11,054,879,567 | 2,210,975,913 | 7,153,160,682 | 1,430,632,136 |
| h) | Claims on Corporate (excluding equity exposure) | 58,457,025,950 | 49,405,944,909 | 57,389,516,775 | 53,270,359,091 |
| i) | Claims under Credit Risk Mitigation | 4,151,019,618 | 322,302,029 | 3,384,490,882 | 179,131,161 |
| | Fixed Risk Weight Groups: | | | | |
| j) | Claims categorized as retail portfolio & Small Enterprise (excluding consumer loan) | 30,346,823,518 | 22,760,117,638 | 29,464,916,441 | 22,098,687,331 |
| k) | Consumer Loan | 952,192,951 | 952,192,951 | 958,238,388 | 958,238,388 |
| l) | Claims fully secured by residential property | 971,051,673 | 485,525,837 | 687,300,000 | 343,650,000 |
| m) | Claims fully secured by commercial real estate | 3,184,952,559 | 3,184,952,559 | 2,398,048,000 | 2,398,048,000 |
| n) | Past Due Claims (Risk weights are to be assigned net of specific provision) | 2,992,560,125 | 4,213,007,714 | 1,868,625,520 | 2,371,343,965 |
| o) | Investments in venture capital | 1,040,780,140 | 1,561,170,209 | 1,185,245,340 | 1,777,868,009 |
| p) | Claim on Capital Market Exposure | 7,558,680,398 | 9,448,350,498 | - | - |
| q) | Unlisted equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in banking book | 167,077,000 | 208,846,250 | - | - |
| r) | Investments in premises, plant and equipment and all other fixed assets | 4,229,520,560 | 4,229,520,560 | 3,854,272,788 | 3,854,272,788 |
| s) | Claims on all fixed assets under operating lease | - | - | - | - |
| t) | All other assets | 9,895,909,432 | 2,385,194,342 | 9,412,487,864 | 3,383,925,696 |
| | Total | 163,907,161,792 | 102,944,080,682 | 141,277,098,359 | 93,999,693,557 |

AB Bank Limited
Detailed of Risk Weighted Assets under Basel II
 At 31 December 2012

Annex-E

Credit Risk - Off Balance Sheet

| Sl. | Exposure Type | 2012 | | 2011 | |
|-----|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | | Exposure | Risk Weighted Asset | Exposure | Risk Weighted Asset |
| 1 | 2 | 3 | 4 | 5 | 6 |
| a) | Claims on Bangladesh Government and Bangladesh Bank | - | - | - | - |
| b) | Claims on other Sovereigns & Central Banks | - | - | - | - |
| c) | Claims on Bank for International Settlements, International Monetary Fund and European Central Bank | - | - | - | - |
| d) | Claims on Multilateral Development Banks (MDBs) | - | - | - | - |
| e) | Claims on Public Sector Entities (other than Government) in Bangladesh | - | - | - | - |
| f) | Claims on Banks: | - | - | - | - |
| | i) Maturity over 3 months | - | - | - | - |
| | ii) Maturity less than 3 months | 145,450,000 | 29,090,000 | 141,300,000 | 28,260,000 |
| g) | Claims on Corporate (excluding equity exposure) | 27,540,540,688 | 21,539,500,436 | 23,139,363,539 | 22,752,195,170 |
| h) | Against retail portfolio & Small Enterprise (excluding consumer loan) | 672,186,910 | 504,140,182 | 1,261,415,934 | 946,061,950 |
| i) | Consumer Loan | 36,184,688 | 36,184,688 | 169,861,719 | 169,861,719 |
| j) | Claims fully secured by residential property | - | - | - | - |
| k) | Claims fully secured by commercial real estate | - | - | - | - |
| l) | Investments in venture capital | - | - | - | - |
| m) | Capital Market Exposure | - | - | - | - |
| n) | All other assets | - | - | - | - |
| | Total | 28,394,362,285 | 22,108,915,306 | 24,711,941,192 | 23,896,378,840 |

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Disclosures on Risk Based Capital (Basel II)

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These disclosures have been made in accordance with the Bangladesh Bank BRPD Circular no. 35 of 29 December 2010 as to Guidelines on 'Risk Based Capital Adequacy for Banks' in line with Basel II.

1. Capital Adequacy under Basel-II

To cope with the international best practices and to make the Bank's capital more risk sensitive as well as more shock resilient, 'Guidelines on Risk Based Capital Adequacy (RBCA) for Banks' (Revised regulatory capital framework in line with Basel II) have been introduced from January 01, 2009. Throughout the year 2009, Basel II reporting was parallel to Basel I which was the statutory requirement upto that year. However, beginning year 2010, Basel II became mandatory. Bangladesh Bank further reviewed the RBCA Guidelines on several occasions prior to Basel II became fully in force. Instructions regarding Minimum Capital Requirement (MCR), Adequate Capital, and Disclosure requirements as stated in these guidelines have to be followed by all scheduled banks for the purpose of statutory compliance.

Above guidelines were issued by Bangladesh Bank (BB) under section 13 and section 45 of Bank Company Act, 1991 and also in accordance with "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" of June, 2006 (popularly known as 'Basel II Capital Adequacy Framework') released by Basel Committee on Banking Supervision (BCBS).

Basel II guidelines are structured on the following aspects:

- a) Minimum capital requirements to be maintained by a Bank against credit, market, and operational risks.
- b) Process for assessing the overall capital adequacy aligned with risk profile of a Bank as well as capital growth plan.
- c) Framework of public disclosure on the position of a Bank's risk profiles, capital adequacy, and risk management system.

2. Scope of application

Basel II guidelines apply to all scheduled banks on 'Solo' basis as well as on 'Consolidated' basis where

- Solo Basis' refers to all position of the bank and its local and overseas branches/offices; and
- Consolidated Basis' refers to all position of the bank (including its local and overseas branches/offices) and its subsidiary company(ies) engaged in financial (excluding insurance) activities like merchant banks, brokerage firms, discount houses, etc (if any).

AB Bank followed the scope narrated above. Bank has Tier 1 and 2 capital structure at the moment.

3. Capital base

Regulatory capital has been categorized into three tiers: Tier 1, Tier 2, and Tier 3 respectively.

a) Tier 1 capital

Tier 1 capital called 'Core Capital' comprises of highest quality of capital elements that consists of:

- i) Paid up capital
- ii) Non-repayable share premium account
- iii) Statutory reserve
- iv) General reserve
- v) Retained earnings
- vi) Minority interest in subsidiaries
- vii) Non-cumulative irredeemable preference shares
- viii) Dividend equalization account

Bank's Core Capital comprises of the above elements except for 'Non-repayable share premium account' 'Non-cumulative irredeemable preference shares' and 'Dividend Equalisation Account'.

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b) Tier 2 capital

Tier 2 capital called 'Supplementary Capital' represents other elements which fall short of some of the characteristics of the core capital but contribute to the overall strength of a bank and consists of:

- i) General provision
- ii) Revaluation reserves
 - > Revaluation reserve for fixed assets
 - > Revaluation reserve for securities
 - > Revaluation reserve for equity instrument
- iii) All other preference shares
- iv) Subordinated debt

Bank's Tier 2 capital comprises of above specified elements. However, Bank is yet to resort to preference shares or any kind of subordinate debts.

c) Tier 3 capital

Tier 3 capital called 'Additional Supplementary Capital', consists of short-term subordinated debt (original maturity less than or equal to five years but greater than or equal to two years) would be solely for the purpose of meeting a proportion of the capital requirements for market risk.

Bank has no Tier 3 capital as mentioned earlier.

4. Conditions for maintaining regulatory capital

The calculation of Tier 1 capital, Tier 2 capital, and Tier 3 capital is subject to the following conditions:

- a) The amount of Tier 2 capital will be limited to 100% of the amount of Tier 1 capital.
- b) 50% of revaluation reserves for fixed assets and securities eligible for Tier 2 capital.
- c) 10% of revaluation reserves for equity instruments eligible for Tier 2 capital.
- d) Subordinated debt shall be limited to a maximum of 30% of the amount of Tier 1 capital.
- e) Limitation of Tier 3: A minimum of about 28.5% of market risk needs to be supported by Tier 1 capital. Supporting of Market Risk from Tier 3 capital shall be limited up to maximum of 250% of a bank's Tier 1 capital that is available after meeting credit risk capital requirement.

Bank complied with the conditions as embodied in this respect wherever applicable.

5. Eligible regulatory capital

In order to obtain the eligible regulatory capital for the purpose of calculating Capital Adequacy Ratio (CAR), banks are required to make following deductions from their Tier-1 capital:

- a) Intangible asset e.g., book value of goodwill and value of any contingent assets, etc. which are shown as assets
- b) Shortfall in provisions required against classified assets

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- c) Shortfall in provisions required against investment in shares
- d) Remaining deficit on account of revaluation of investments in securities after netting off from any other surplus on the securities.
- e) Reciprocal/ crossholdings of bank's capital/subordinated debt artificially intended to inflate the capital position of banks
- f) Holding of equity shares in any form exceeding the approved limit under section 26(2) of Bank Company Act, 1991. The additional/unauthorized amount of holdings will be deducted at 50% from Tier 1 capital and 50% from Tier 2 capital.
- g) Investments in subsidiaries which are not consolidated. The normal practice is to consolidate subsidiaries for the purpose of assessing the capital adequacy of banking groups. Where this is not done, deduction is essential to prevent the multiple uses of the same capital resources in different parts of the group. The deduction for such investments will be 50% from Tier 1 capital and 50% from Tier 2 capital. The assets representing the investments in subsidiary companies whose capital had been deducted from that of the parent would not be included in total assets for the purposes of computing the Capital Adequacy Ratio (CAR).

Eligible Tier 2 capital will be derived after deducting components (if any) qualified for deduction. Total eligible regulatory capital will be calculated by summing up the eligible Tier 1, Tier 2 and Tier 3 capital.

6. Calculation of Capital Adequacy Ratio

In order to calculate CAR, banks are required to calculate their Risk Weighted Assets (RWA) on the basis of credit, market, and operational risks. Total RWA will be determined by multiplying the amount of capital charge for market risk and operational risk by the reciprocal of the minimum CAR and adding the resulting figures to the sum of risk weighted assets for credit risk. The CAR is then calculated by taking eligible regulatory capital as numerator and total RWA as denominator.

Bank followed the given guidelines in proper terms.

7. Minimum capital requirements

- a) No Scheduled Bank in Bangladesh shall commence and carry on its business unless it has the minimum required capital fixed by BB from time to time as per section 13 of Bank Company Act, 1991.
- b) Banks have to maintain minimum CAR on 'Solo' basis as well as on 'Consolidated' basis as per instruction(s) given by BB from time to time.
- c) Banks have to maintain at least 50% of required capital as Tier I capital

Bank has been able to maintain required CAR on both 'Solo (11.73%)' as well as 'Consolidated (11.63%)' basis. Bank presents Tier I Capital ratio is 85.15% and 84.85% to total Capital on Solo and Consolidated basis respectively.

8. a) Credit Risk

Credit risk is the potential that a bank borrower or counterparty fails to meet its obligation in accordance with agreed term.

Bank followed the suggested methodology, process as contained in the Guidelines.

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b) Methodology

Bangladesh Bank adopted Standardized Approach for calculating Risk Weighted Assets. The capital requirement for credit risk is based on the risk assessment made by external credit assessment institutions (ECAIs) recognized by BB for capital adequacy purposes. Banks are required to assign a risk weight to all their on-balance sheet and off-balance sheet exposures. Risk weights are based on external credit rating (solicited) which was mapped with the BB rating grade or a fixed weight that is specified by Bangladesh Bank.

c) Credit Risk Mitigation

AB Bank uses a number of techniques to reduce its credit risk to which the Bank is exposed. For example, exposures may be collateralized by first priority claims, in whole as in part with cash or securities, a loan exposure may be guaranteed by a third party. Additionally Bank may agree to net loans owed to them against deposits from the same counterparty.

Bank uses Comprehensive Approach as adopted by the Central Bank. In this approach when taking collateral, Bank will need to calculate adjusted exposure to a counterparty for capital adequacy purposes in order to take account of the effects of that collateral. Using haircut, Bank is required to adjust both the amount of the exposure to the counterparty and the value of any collateral received in support of that counterparty to take account of possible future fluctuations in the value of either, occasioned by market movements. This will produce volatility adjusted amounts for both exposure and collateral.

9. a) Market Risk

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. The market risk positions subject to this requirement are:

- i) The risks pertaining to interest rate related instruments and equities in the trading book; and
- ii) Foreign exchange risk and commodities risk throughout the bank (both in the banking and in the trading book).

b) Methodology

In Standardized Approach, the capital requirement for various market risks (interest rate risk, equity price risk, commodity price risk, and foreign exchange risk) is determined separately. The total capital requirement in respect of market risk is the sum of capital requirement calculated for each of these market risk sub-categories. The methodology to calculate capital requirement under Standardized Approach for each of these market risk categories is as follows:

- a) Capital Charge for Interest Rate Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk.
- b) Capital Charge for Equity Position Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk.
- c) Capital Charge for Foreign Exchange Risk = Capital Charge for General Market Risk
- d) Capital Charge for Commodity Position Risk = Capital Charge for General Market Risk

Bank followed the suggested methodology, process as contained in the Guidelines.

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10. a) Operational Risk

Operational Risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputation risk.

b) Measurement Methodology

Banks operating in Bangladesh shall compute the capital requirements for operational risk under the Basic Indicator Approach (BIA). Under BIA, the capital charge for operational risk is a fixed percentage, denoted by (alpha), of average positive annual gross income of the bank over the past three years. Figures for any year in which annual gross income is negative or zero, should be excluded from both the numerator and denominator when calculating the average.

Bank followed the suggested methodology, process as contained in the Guidelines.

11. Disclosure under Pillar III

Disclosure given below as specified by RBCA Guidelines dated 29 December, 2010:

A) Scope of Application

Qualitative Disclosure

AB Bank Limited
 Disclosures on Risk Based Capital (Basel II)
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Qualitative Disclosure

| | |
|--|---|
| | <p>AB Investment Limited AB Investment Limited (ABIL), a Subsidiary of AB Bank Limited was incorporated under the Companies Act, 1994 on 24 December 2009 with a view to run and manage the operations of Merchant Banking Wing of AB Bank Limited independently. AB Investment Limited started its operation on 10 March 2010. AB Investment Limited has achieved an unparalleled reputation as a leading Merchant Banker through providing portfolio management services by maintaining a high level of professional expertise and integrity in client relationship. ABIL's Registered Office is located at WW Tower (Level 7), 68 Motijheel C.A., Dhaka. ABIL has two branch offices at Agrabad, Chittagong and Chowhatta, Sylhet.</p> <p>AB Securities Limited Brokerage business of Arab Bangladesh Bank Foundation has been transferred to the newly formed AB Securities Limited (ABSL) vide Bangladesh Bank approval letter BRPD(R-1)717/2009-493 dated 08 November 2009. Main objective of the company is to act as a stock broker to buy and sell Securities, Bond, and Debenture etc. on behalf of clients. ABSL also manages its own portfolio under Stock Dealer License. ABSL is a member of both Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. Respectively. ABSL started its operations independently on 02 August 2010, before that it operated under the ABBF License.</p> <p>Cashlink Bangladesh Limited Cashlink Bangladesh Limited (CBL) was incorporated on 24 September 2008 in Bangladesh under the Companies Act 1994 as a private company limited. AB Bank Limited presently holds 90% shares in CBL. The principal activity of the company is to install and operate a switched Automated Teller Machines (ATM) and Point of Sales (POS) network on behalf of a number of local and foreign banks enabling these member bank customers who are active cardholders to withdraw cash, make utility bill payments (e.g. water, gas, electricity and telephone bills) and to purchase commodity goods from any of the ATM and POS terminals established under the network.</p> <p>AB International Finance Limited AB International Finance Limited (ABIFL) is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Unit 1201-B, 12/F, Admiralty Centre, Tower One, 18 Harcourt, Hong Kong.</p> <p>AB Exchange (UK) Limited AB Exchange (UK) Limited (ABEL) is a company incorporated and domiciled in United Kingdom (UK) and has its registered office 69 Whitechapel High Street, London, E1 7PL. Its registered number is 07272766 (England & Wales). ABEL is fully owned (100%) Subsidiary of AB Bank Limited.</p> <p>Arab Bangladesh Bank Foundation Bank also has a Subsidiary (100% owned) for philanthropic/ CSR activities known as Arab Bangladesh Bank Foundation (ABBF). This has not been included in the Consolidation because Board of Directors have resolved to transform ABBF into the Societies Registration Act No. XXI of 1860.</p> |
|--|---|

AB Bank Limited
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Qualitative Disclosure

| | |
|--|---|
| (c) Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group | Not Applicable |
| (d) The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries. | Aggregate amount of Capital: Tk. 20,000,000 Name of Subsidiary: Arab Bangladesh Bank Foundation (ABBF) |

B) Capital Structure

Qualitative Disclosure

| | |
|---|--|
| (a) Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or in Tier 2. | <p>The terms and conditions of the main features of all capital instruments have been segregated in line with of the eligibility criteria set forth vide BRPD Circular No. 35 dated 29 December 2010 and other relevant instructions given by Bangladesh Bank from time to time. The main features of the capital instruments are as follows:</p> <p>Tier 1 capital instruments</p> <p>Paid-up share capital: Issued, subscribed and fully paid up share capital of the Bank. It represents Paid up Capital, Right Shares as well as Bonus Shares issued from time to time.</p> <p>Statutory Reserve: As per Section 24(1) of the Bank Companies Act, 1991, an amount equivalent to 20% of the profit before taxes for each year of the Bank has been transferred to the Statutory Reserve Fund.</p> <p><i>Bank is complied in this respect.</i></p> <p>General reserve: Any reserve created through Profit and Loss Appropriation Account for fulfilling any purpose.</p> <p><i>Bank is complied in this respect.</i></p> <p>Retained Earnings: Amount of profit retained with the banking company after meeting up all expenses, provisions and appropriations.</p> <p><i>Bank is complied in this respect.</i></p> <p>Tier 2 capital instruments</p> <p>General provision maintained against unclassified loans and off-balance sheet exposures: As per BB directive, amount of provision maintained against unclassified loans and off-balance sheet exposures as of the reporting date has been considered.</p> <p>Asset revaluation reserve: 50% of Assets Revaluation Reserve is considered as Tier 2 Capital. The revaluation of assets was formally conducted by the Professionally Qualified valuation firm and duly certified by the external auditor of the Bank.</p> <p>Revaluation reserves of securities: As per Bangladesh Bank's instruction, up to 50% of revaluation reserves of Governments securities has been considered as Tier 2 Capital. This comprises of revaluation results of HFT and HTM securities.</p> |
|---|--|

AB Bank Limited
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Quantitative Disclosure

| | | Taka in Crore | | | |
|--|--|---------------|--------------|--------------|--------------|
| | | 2012 | | 2011 | |
| | | Solo | Conso | Solo | Conso |
| (b) The amount of Tier 1 Capital, with separate disclosure of: (as of 31.12.2012). | > Paid up Capital | 442 | 442 | 369 | 369 |
| | > Non- repayable share premium account | - | - | - | - |
| | > Statutory reserve | 501 | 501 | 439 | 439 |
| | > General reserve | 4 | 12 | 4 | 12 |
| | > Retained earnings | 516 | 526 | 529 | 537 |
| | > Minority Interest in Subsidiaries | - | (2) | - | (1.86) |
| | > Non- cumulative irredeemable preference shares | - | - | - | - |
| | > Dividend equalization account | - | - | - | - |
| | | 1,463 | 1,479 | 1,341 | 1,355 |
| (c) Total amount of Tier II & Tier III Capital | | 255 | 265 | 253 | 260 |
| (d) Other deduction from Capital | | - | 2 | - | 2 |
| (e) Total eligible capital | | 1,718 | 1,742 | 1,594 | 1,613 |

C) Capital Adequacy

Qualitative Disclosure

| | |
|--|--|
| (a) A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities. | Capital Adequacy is the cushion required to be maintained for covering the Credit risk, Market risk and Operational risk so as to protect the depositors and general creditors interest against such losses. In line with BRPD Circular No. 35 dated 29 December, 2010, the Bank has adopted Standardized Approach for Credit Risk, Standardized (Rule Based) Approach for Market Risk and Basic Indicator Approach for Operational Risk for computing Capital Adequacy. |
|--|--|

Quantitative Disclosure

| | | Taka in Crore | | | |
|---|--|---------------|--------|--------|--------|
| | | 2012 | | 2011 | |
| | | Solo | Conso | Solo | Conso |
| (b) Capital requirement for Credit Risk: | | 1,251 | 1,257 | 1,179 | 1,244 |
| (C) Capital requirement for Market Risk: | | 75 | 88 | 88 | 104 |
| (d) Capital requirement for Operational Risk: | | 140 | 153 | 136 | 147 |
| (e) Total and Tier I Capital Ratio: | | | | | |
| > For the Bank alone | | 85.15% | - | 84.11% | - |
| > For the consolidated group | | - | 84.90% | - | 83.94% |

D) Credit Risk

Qualitative Disclosure

| | |
|---|--|
| <p>(a) The general qualitative disclosure requirement with respect to credit risk, including:</p> <ul style="list-style-type: none"> > Definitions of past due and impaired (for accounting purposes) | <p>Bank classifies loans and advances (loans and bill discount in the nature of an advance) into performing and non-performing loans (NPL) in accordance with the Bangladesh Bank guidelines in this respect.</p> <p>An NPA (impaired) is defined as a loan or an advance where interest and/ or installment of principal remain overdue for more than 90 days in respect of a Continuous credit, Demand loan or a Term Loan etc.</p> <p>Classified loan is categorized under following 03 (three) categories:</p> <ul style="list-style-type: none"> > Sub-standard > Doubtful > Bad & Loss <p>Any continuous loan will be classified as:</p> <ul style="list-style-type: none"> > 'Sub-standard' if it is past due/over due for 3 months or beyond but less than 6 months. > 'Doubtful' if it is past due/over due for 6 months or beyond but less than 9 months. > 'Bad/Loss' if it is past due/over due for 9 months or beyond. <p>Any Demand Loan will be classified as:</p> <ul style="list-style-type: none"> > 'Sub-standard' if it remains past due/overdue for 3 months or beyond but not over 6 months from the date of claim by the bank or from the date of creation of forced loan. > 'Doubtful' if it remains past due/overdue for 6 months or beyond but not over 9 months from the date of claim by the bank or from the date of creation of forced loan. > 'Bad/Loss' if it remains past due/overdue for 9 months or beyond from the date of claim by the bank or from the date of creation of forced loan. <p>In case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the due date, the amount of unpaid installment(s) will be termed as 'defaulted installment'.</p> <p>i. In case of Fixed Term Loans :</p> <ul style="list-style-type: none"> > If the amount of 'defaulted installment' is equal to or more than the amount of installment(s) due within 3 (three) months, the entire loan will be classified as 'Sub-standard'. > If the amount of 'defaulted installment' is equal to or more than the amount of installment(s) due within 6 (six) months, the entire loan will be classified as 'Doubtful'. > If the amount of 'defaulted installment' is equal to or more than the amount of installment(s) due within 9 (nine) months, the entire loan will be classified as 'Bad/Loss'. |
|---|--|

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Qualitative Disclosure

| | | | | | | | |
|--|---|--|-------------------|------------|-----------|-----------|-----------|
| > Description of approaches followed for specific and general allowances and statistical methods | If any Fixed Term Loan is repayable on monthly installment basis, the amount of installment(s) due within 06 (six) months will be equal to the sum of 06 monthly installments. Similarly, if the loan is repayable on quarterly installment basis, the amount of installment(s) due within 06 (six) months will be equal to the sum of 2 quarterly installments. | | | | | | |
| | Types of loans and advances | | Provision% | | | | |
| | | | UC | SMA | SS | DF | BL |
| | Consumer | House building and professional | 2 | 5 | 20 | 50 | 100 |
| | | Other than Housing Finance & Professionals to setup business | 5 | 5 | 20 | 50 | 100 |
| | Provision for loan to Brokerage House, Merchant Banks, Stock dealers | | 2 | 5 | 20 | 50 | 100 |
| | Short-term agri-credit and micro credit | | 5 | 5 | 5 | 5 | 100 |
| | Small & Medium Enterprise Finance | | 0.25 | 5 | 20 | 50 | 100 |
| Others | | 1 | 5 | 20 | 50 | 100 | |
| > Discussion of the Bank's credit risk management policy | The Board approves the credit policy keeping in view relevant Bangladesh Bank guidelines to ensure best practice in credit risk management and maintain quality of assets. Authorities are properly delegated in ensuring check and balance in credit operation at every stage i.e. screening, assessing risk, identification, management and mitigation of credit risk as well as monitoring, supervision and recovery of loans with provision for early warning system. There is a separate Credit Risk Management Division for ensuring proper risk management of Loans and Credit Monitoring and Recovery Division for monitoring and recovery of irregular loans. Internal control & compliance division independently assess quality of loans and compliance status at least once in a year. Adequate provision is maintained against classified loans as per Bangladesh Bank Guidelines. Status of loans are regularly reported to the Board/ Board Audit Committee. Besides, Credit risk management process involves focused on monitoring of Top- 30 Loans, Top- 20 Defaulters, Sectoral exposures viz-a-viz among others limit. | | | | | | |

Quantitative Disclosure

| | | 2012 | | 2011 | |
|---|----------------------------------|-------------|------------------|-------------|------------------|
| | | In % | Taka (Cr) | In % | Taka (Cr) |
| (b) Total gross credit risk exposures broken down by major types of credit exposure | Overdraft | 16% | 1,703 | 19% | 1,755 |
| | Cash Credit | 0% | 5 | 0% | 5 |
| | Time loan | 28% | 2,977 | 25% | 2,388 |
| | Term loan | 40% | 4,190 | 34% | 3,224 |
| | Blc | 0% | 27 | 0% | 29 |
| | TR | 10% | 1,090 | 15% | 1,466 |
| | Packing credit | 0% | 39 | 0% | 38 |
| | Loan-accp bills | 2% | 262 | 3% | 245 |
| | Consumer Loan | 1% | 132 | 1% | 132 |
| | Staff Loan | 1% | 55 | 1% | 49 |
| | Others including Bills Purchased | 1% | 128 | 1% | 132 |
| Total | | 100% | 10,607 | 100% | 9,464 |

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| Quantitative Disclosure | 2012 | | 2011 | | |
|--|---|---------------|---------------|---------------|--------------|
| | In % | Taka (Cr) | In % | Taka (Cr) | |
| (c) Geographical distribution of exposures, broken down in significant areas by major types of credit exposure | Urban Branches | | | | |
| | Dhaka | 68% | 6,993 | 69% | 6,197 |
| | Chittagong | 21% | 2,134 | 20% | 1,824 |
| | Khulna | 4% | 418 | 4% | 401 |
| | Sylhet | 2% | 191 | 1% | 126 |
| | Barisal | 0% | 32 | 0% | 30 |
| | Rajshahi | 3% | 264 | 5% | 425 |
| | Rangpur | 2% | 221 | | |
| | | 100% | 10,253 | 100% | 9,002 |
| | Rural Branches | | | | |
| | Dhaka | 85% | 252 | 62% | 267 |
| | Chittagong | 12% | 36 | 22% | 97 |
| | Khulna | 0% | - | - | - |
| | Sylhet | 3% | 7 | 16% | 70 |
| | Barisal | 0% | - | - | - |
| Rajshahi | 0% | - | - | - | |
| | 100% | 295 | 100% | 434 | |
| Outside Bangladesh | | | | | |
| ABBL, Mumbai Branch | 0.55% | 58 | 0.84% | 79 | |
| | 100% | 10,607 | 100% | 9,464 | |
| (d) Industry or counterparty type distribution of exposures, broken down by major types of credit exposure. | Agriculture | 2% | 261 | 3% | 242 |
| | Large and medium scale industry | 21% | 2,216 | 20% | 1,880 |
| | Working capital | 18% | 1,957 | 21% | 1,949 |
| | Export | 1% | 142 | 2% | 229 |
| | Commercial lending | 33% | 3,549 | 46% | 4,310 |
| | Small and cottage industry | 0% | 48 | 0% | 16 |
| | Others | 23% | 2,433 | 9% | 839 |
| | | 100% | 10,607 | 100% | 9,464 |
| (e) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure. | Repayable – on demand | 7% | 719 | 20% | 1,934 |
| | – upto 3 months | 20% | 2,140 | 28% | 2,640 |
| | – over 3 months but below 1 year | 36% | 3,826 | 21% | 1,991 |
| | – over 1 year but below 5 years | 29% | 3,069 | 23% | 2,198 |
| | – over 5 years | 8% | 852 | 7% | 700 |
| | | 100% | 10,607 | 100% | 9,464 |
| (f) By major industry or counterparty type: | i. Amount of impaired loans and if available, past due loans, provided separately | | | | |
| | | 3.80% | 402.73 | 3.05% | 288.90 |
| | ii. Specific and general provisions | | | | |
| | | | 231.83 | | 234.70 |
| iii. Charges for specific allowances and charge-offs during the period | | | | | |
| | | 71.21 | | 13.00 | |
| (g) Gross Non Performing Assets (NPAs) | Non Performing Assets (NPAs) | | 267.18 | | |
| Non Performing Assets (NPAs) to Outstanding Loans & advances | Movement of Specific Provision for Non Performing Assets (NPAs) | | | | |
| | | 103.05 | | 90.05 | |
| | | 71.18 | | 13.00 | |
| | | 80.01 | | - | |
| | | 6.00 | | - | |
| | | 1.32 | | - | |
| | | 101.54 | | 103.05 | |
| | | 3.33 | | - | |
| | | 104.87 | | 103.05 | |

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E) Equities: Disclosures for Banking Book Positions

Qualitative Disclosure

| | |
|--|--|
| <p>(a) The general qualitative disclosure requirement with respect to the equity risk, including:</p> <ul style="list-style-type: none"> > differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and > discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices. | <p>Investment in equity mainly for capital gain purpose but Bank has some investment for relationship and strategic reasons.</p> <p>Quoted shares are valued at cost. Necessary provision is maintained if market price fall below the cost price. Unquoted shares are valued at cost.</p> |
| <p>(b) Value disclosed in the balance sheet of investment, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.</p> | <p style="text-align: center;">Not Applicable</p> |
| <p>(C) The cumulative realized gains (losses) arising from sales and liquidations in the reporting period (2012).</p> | <p style="text-align: right;">11.83</p> |
| <p>(d)</p> <ul style="list-style-type: none"> > Total unrealized gains (losses) > Total latent revaluation gains (losses) > Any amounts of the above included in Tier 2 capital | <p style="text-align: right;">(188.94)</p> <p style="text-align: right;">NIL</p> <p style="text-align: right;">NIL</p> |
| <p>(e) Capital requirements broken down by appropriate equity grouping, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements</p> | <p style="text-align: right;">NIL</p> |

F) Interest rate risk in the banking book (IRRBB)

Qualitative Disclosure

| | |
|--|---|
| (a) The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behaviour of non-maturity deposits, and frequency of IRRBB measurement. | Interest rate risk is the potential that the value of the On Balance Sheet and the Off Balance Sheet position of the Bank would be negatively effected with the change in the Interest rate. The vulnerability of an institution towards the advance movement of the interest rate can be gauged by using Duration GAP under Stress Testing Analysis. AB Bank has also been exercising the Strees Testing using the Duration GAP for measuring the Interest Rate Risk on its On Balance Sheet exposure for estimating the impact of the net change in the market value of equity on the Capital Adequacy Ratio (CAR) due to change in interest rates only on its On Balance Sheet position (as the Bank holds no interest bearing Off Balance Sheet positions and or Derivatives). Under the assumption of three different interest rate changes i.e. 1%, 2% and 3%. |
|--|---|

Quantitative Disclosure

| | | Taka in Crore | |
|--|--------------------------------------|---------------|-------------|
| | | 2012 | 2011 |
| (b) The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant). | Market Value of Assets | 17,089 | 15,085 |
| | Market Value of Liability | 15,706 | 13,776 |
| | Weighted Avg. Duration GAP | 0.53 | 0.91 |
| | CAR after different level of Shocks: | | |
| | Minor Level | 11.24% | 10.58% |
| | Moderate Level | 10.74% | 9.77% |
| | Major Level | 10.24% | 8.95% |

G) Market Risk

Qualitative Disclosure

| | |
|---|---|
| (a) Views of BOD on trading/ investment activities | The Board approves all policies related to market risk, sets limits and reviews compliance on a regular basis. The objective is to provide cost effective funding last year to finance asset growth and trade related transaction. |
| (b) Methods used to measure Market risk | Standardized approach has been used to measure the market risk. The total capital requirement in respect of market risk is the aggregate capital requirement calculated for each of the risk sub-categories. For each risk category minimum capital requirement is measured in terms of two separately calculated capital charges for 'specific risk' and 'general market risk'. |
| (c) Market risk Management system | The Treasury Division manage market risk covering liquidity, interest rate and foreign exchange risks with oversight from Asset-Liability Management Committee (ALCO) comprising senior executives of the Bank. ALCO is chaired by the Managing Director. ALCO meets at least once in a month. |
| (d) Policies and process for mitigating market risk | There are approved limits for Market risk related instruments both on-balance sheet and off-balance sheet items. The limits are monitored and enforced on a regular basis to protect against market risks. The exchange rate committee of the Bank meets on a daily basis to review the prevailing market condition, exchange rate, forex position and transactions to mitigate foreign exchange risks. |

AB Bank Limited
Disclosures on Risk Based Capital (Basel II)
 Based on 31 December 2012

Annex-E1

Quantitative Disclosure

| | | Taka in Crore | |
|-----------------------------------|--|---------------|--------------|
| | | 2012 | 2011 |
| (b) The capital requirements for: | | | |
| Interest rate risk | | 7.98 | 18.97 |
| Equity position risk | | 61.99 | 54.37 |
| Foreign exchange risk | | 4.64 | 14.18 |
| Commodity risk | | - | - |
| | | 74.61 | 87.52 |

H) Operational Risk

Qualitative Disclosure

| | |
|--|---|
| <p>(a)</p> <ul style="list-style-type: none"> > Views of BOD on system to reduce Operational Risk > Performance gap of executives and staffs > Potential external events > Policies and processes for mitigating operational risk > Approach for calculating capital charge for operational risk | <p>The policy for operational risks including internal control & compliance risk is approved by the board taking into account relevant guidelines of Bangladesh Bank. Audit Committee of the Board oversees the activities of Internal Control & Compliance Division (ICCD) to protect against all operational risk.</p> <p>AB has a policy to provide competitive package and best working environment to attract and retain the most talented people available in the industry. AB's strong brand image plays an important role in employee motivation. As a result, there is no significant performance gap.</p> <p>No potential external events is expected to expose the Bank to significant operational risk.</p> <p>The policy for operational risks including internal control & compliance risk is approved by the Board taking into account relevant guidelines of Bangladesh bank. Policy guidelines on Risk Based Internal Audit system is in operation as per RBA branches are rated according to their risk status and branches scoring more on risk status are subjected to more frequent audit by Internal Control & Compliance Division (ICCD). It is the policy of the bank to put all the branches of the bank under any form of audit at least once in a year. ICCD directly report to Audit Committee of the Board. In addition there is a Vigilance Cell established in 2009 to reinforce operational risk management of the bank. Bank's Anti-Money laundering activities are headed by CAMELCO and their activities are devoted to protect against all money laundering and terrorist finance related activities. Apart from that, there is adequate check & balance at every stage of operation, authorities are properly segregated and there is at least dual control on every transaction to protect against operational risk.</p> <p>Basic Indicator Approach was used for calculating capital charge for operational risk as of the reporting date.</p> |
|--|---|

Quantitative Disclosure

| | | Taka in Crore | |
|----------------------------------|------------------|---------------|-------------|
| | | 2012 | 2011 |
| (b) The capital requirements for | Operational Risk | 139.78 | 135.87 |

AB Bank Limited

Mumbai Branch

Balance Sheet as at 31 December 2012

Annex-F

| | 31.12.2012 INR | 31.12.2011 INR |
|---|----------------------|----------------------|
| PROPERTY AND ASSETS | | |
| Cash | 21,954,876 | 18,848,994 |
| In hand (including foreign currencies) | 3,753,016 | 2,403,277 |
| Balance with Reserve Bank India (including foreign currencies) | 18,201,860 | 16,445,717 |
| Balance with other banks and financial institutions | 415,233,839 | 157,081,731 |
| In India | 10,304,161 | 9,648,432 |
| Outside India | 404,929,678 | 147,433,299 |
| Money at call and on short notice | 255,000,000 | 75,000,000 |
| Investments | 301,328,961 | 162,151,790 |
| Government | 256,878,961 | 131,151,790 |
| Others | 44,450,000 | 31,000,000 |
| Loans and advances | 398,377,545 | 512,601,933 |
| Loans, cash credits, overdrafts, etc. | 225,511,218 | 183,672,620 |
| Bills purchased and discounted | 172,866,327 | 328,929,313 |
| Fixed assets including premises, furniture and fixtures | 11,525,933 | 19,187,382 |
| Other assets | 314,154,394 | 309,452,346 |
| Total Assets | 1,717,575,547 | 1,254,324,173 |
| LIABILITIES AND CAPITAL | | |
| Liabilities | | |
| Deposits and other accounts | 847,609,976 | 368,743,943 |
| Current deposits | 671,933,661 | 302,032,453 |
| Demand deposits | 6,739,082 | 2,106,853 |
| Bills payable | 781,693 | 248,093 |
| Savings bank deposits | 6,354,495 | 9,859,732 |
| Fixed deposits | 159,440,787 | 53,416,768 |
| Other deposits | 2,360,256 | 1,080,044 |
| Other liabilities | 143,242,849 | 251,477,111 |
| Total Liabilities | 990,852,825 | 620,221,053 |
| Capital/Shareholders' Equity | | |
| Total Shareholders' Equity | 726,722,722 | 634,103,119 |
| Paid-up capital | 369,822,602 | 369,822,602 |
| Statutory reserve | 123,985,000 | 104,396,500 |
| Other reserve | 8,108,000 | 8,107,600 |
| Retained earnings | 224,807,121 | 151,776,418 |
| Total Liabilities and Shareholders' Equity | 1,717,575,547 | 1,254,324,173 |

AB Bank Limited Mumbai Branch

Profit and Loss Account for the Year ended 31 December 2012

Annex-F1

| | 2012 INR | 2011 INR |
|--|--------------------|--------------------|
| OPERATING INCOME | | |
| Interest income | 51,922,711 | 36,634,345 |
| Interest paid on deposits and borrowings, etc. | (11,258,453) | (6,686,462) |
| Net interest income | 40,664,258 | 29,947,883 |
| Investment income | 14,818,710 | 9,920,896 |
| Commission, exchange and brokerage | 179,607,316 | 178,288,087 |
| Other operating income | 2,737,663 | 2,227,728 |
| | 197,163,689 | 190,436,711 |
| Total operating income (a) | 237,827,947 | 220,384,594 |
| OPERATING EXPENSES | | |
| Salary and allowances | 12,352,499 | 11,961,615 |
| Rent, taxes, insurance, electricity, etc. | 4,302,717 | 18,143,781 |
| Legal expenses | 95,900 | 105,000 |
| Postage, stamps, telecommunication, etc. | 5,411,767 | 5,002,151 |
| Stationery, printing, advertisement, etc. | 2,445,210 | 2,497,412 |
| Auditors' fees | 1,048,195 | 207,541 |
| Depreciation and repairs of Bank's assets | 8,219,811 | 9,127,506 |
| Other expenses | 61,189,916 | 49,579,701 |
| | 95,066,015 | 96,624,709 |
| Total operating expenses (b) | 95,066,015 | 96,624,709 |
| Profit before provision (c = a-b) | 142,761,932 | 123,759,885 |
| Provision against loans and advances | 262,100 | 9,500,500 |
| Provision for investments Fluctuation reserve | 400 | 1,256,600 |
| | 262,500 | 10,757,100 |
| Total provision (d) | 262,500 | 10,757,100 |
| Profit before taxation (c-d) | 142,499,432 | 113,002,785 |
| Provision for taxation | 48,930,729 | 52,245,457 |
| Current tax | 52,382,316 | 54,836,000 |
| Excess provision written back | (3,565,792) | - |
| Deferred tax | 114,205 | (2,590,543) |
| | 93,568,703 | 60,757,328 |
| Net profit after taxation | 93,568,703 | 60,757,328 |

AB Bank Limited

Islami Banking Branch (IBB)

Annex - G

Balance Sheet

At 31 December 2012

Amounts in Taka

| | At 31 Dec 2012 | At 31 Dec 2011 |
|--|----------------------|----------------------|
| PROPERTY AND ASSETS | | |
| Cash in hand | 129,226,727 | 96,259,757 |
| Cash in Hand (Including foreign currencies) | 2,414,895 | 2,699,753 |
| Balance with Bangladesh Bank and its Agent Banks (Incl. Foreign Currencies) | 126,811,832 | 93,560,004 |
| Balance with Other Banks and Financial Institutions | 5,502,843,390 | 5,380,282,176 |
| In Bangladesh | 5,502,843,390 | 5,380,282,176 |
| Investment in shares and other financial institutions | 109,800,000 | 87,100,000 |
| Government | 109,800,000 | 87,100,000 |
| Investments | 2,453,338,923 | 2,338,652,223 |
| General Investments etc. | 2,449,469,179 | 2,214,141,441 |
| Bills Purchased and Discounted | 3,869,744 | 124,510,782 |
| Fixed Assets including Premises | 13,002,579 | 11,903,316 |
| Other Assets | 144,682,075 | 599,299,455 |
| Total Assets | 8,352,893,694 | 8,513,496,928 |
| LIABILITIES AND CAPITAL | | |
| Liabilities | | |
| Placement from banks and other financial institutions | 3,000,800,000 | 3,050,792,894 |
| Deposits and Other Accounts | 5,341,843,049 | 5,457,840,307 |
| Mudaraba Savings Deposits | 52,966,084 | 34,408,209 |
| Mudaraba Term Deposits | 5,038,999,492 | 4,878,506,880 |
| Other Mudaraba Deposits | 202,618,998 | 491,846,343 |
| Al-Wadeeah Current and Other Deposit Accounts | 44,190,175 | 47,813,295 |
| Bills Payable | 3,068,300 | 5,265,580 |
| Other Liabilities | 10,250,645 | 4,863,728 |
| Total Liabilities | 8,352,893,694 | 8,513,496,928 |

Profit and Loss Statement

For the year ended 31 December 2012

| | 2012 | 2011 |
|---|--------------------|--------------------|
| OPERATING INCOME | | |
| Investment income | 985,278,263 | 755,947,030 |
| Profit paid on deposits | 724,872,628 | 534,197,409 |
| Net Investment Income | 260,405,635 | 221,749,621 |
| Income from Investments in shares/Securities | 1,793,084 | 240,212 |
| Commission, exchange and brokerage | 53,215,258 | 48,988,295 |
| Other operating income | 1,058,739 | 353,766 |
| Total operating income | 316,472,716 | 271,331,893 |
| Operating Expenses | | |
| Salaries and allowances | 20,781,477 | 18,831,296 |
| Rent, Taxes, Insurance, Electricity, etc. | 1,410,564 | 1,007,988 |
| Legal expenses | 10,000 | - |
| Postage, stamps, telecommunication, etc. | 328,740 | 313,663 |
| Stationeries, printing and advertisement, etc. | 1,415,336 | 1,645,950 |
| Shariah Supervisory Committee's Fees and Expenses | 148,333 | 107,037 |
| Depreciation and repair to bank's assets | 2,772,124 | 2,744,062 |
| Other expenses | 5,958,985 | 5,734,504 |
| Total operating expenses | 32,825,559 | 30,384,498 |
| Profit / (Loss) before provisions | 283,647,157 | 240,947,395 |

AB Bank Limited

Islami Banking Branch

Profit paid on deposits

Annex - H

Profit and loss of Islami Banking Branch is calculated annually as at 31 December in every year. More than 60% of investment income is distributed among the different types of Mudaraba depositors following weightage system and the remaining portion is retained by the bank to meet administrative expenses and investment loss offsetting reserve. Provisional profit rates are applied to the different types of deposit A/Cs as decided by the Bank from time to time commensurate with weightage taking into consideration of the industry trend and that of the rates of other Islamic banks in the country.

In the year 2012 final profit has been paid to the depositors as per following weightage and rates:

| Types of Deposit | Weightage | Final Rate of Profit (%) |
|--|--------------|--------------------------|
| 1. Mudaraba Savings Deposits | 0.43 to 0.52 | 5.20 to 6.20 |
| 2. Mudaraba Special Notice Deposits | 0.26 to 0.52 | 3.10 to 6.20 |
| 3. Mudaraba Term Deposits | | |
| • 36 Months | 1.08 to 1.29 | 12.91 to 15.49 |
| • 24 Months | 0.95 to 1.29 | 11.36 to 15.49 |
| • 12 Months | 0.43 to 1.29 | 5.16 to 15.49 |
| • 6 Months | 0.52 to 1.26 | 6.20 to 15.12 |
| • 3 Months | 1.03 to 1.23 | 12.39 to 14.77 |
| • 1 Month | 1.03 to 1.21 | 12.39 to 14.50 |
| 4. Mudaraba Probable Millionaire Scheme | 1.03 | 12.39 |
| 5. Mudaraba Quarterly Profit Paying Scheme | 1.03 | 12.39 |
| 6. Mudaraba Hajj Deposit Scheme | 1.03 to 1.08 | 12.39 to 12.91 |
| 7. Mudaraba Pension Deposit Scheme | 0.86 to 1.08 | 10.28 to 12.91 |
| 8. Mudaraba Monthly Profit Payment Scheme | 1.03 | 12.39 |
| 9. Mudaraba Cash WAQF Deposit | 1.03 to 1.08 | 12.39 to 12.91 |

A competent Shariah Supervisory Committee consisting of Islamic scholars, Ulema, Fuqaha and Islamic bankers headed by Mr. Shah Abdul Hannan, a prominent Islamic scholar and former Secretary, Government of Bangladesh guides the Islamic banking operations of the bank. During the year 2012, Shariah Supervisory Committee met in 3 (three) meetings along with 1 (one) meetings of its Standing Committee and reviewed different operational issues. The Committee also audited the branch through its Muraqib and reviewed the audit report in its regular meeting. Shariah Supervisory Committee observed that both the officials and clients of the branch became more cautious about the compliance of Shariah Principles.

AB Bank Limited Custodian Wing

Annex - I

Balance Sheet

At 31 December 2012

ASSETS

Non-Current Assets

Current Assets

Accounts Receivables

Total Assets

EQUITY AND LIABILITIES

Equity

Liabilities

Non-Current Liabilities

Current Liabilities

Payable to AB Bank

Accounts Payable

Provision for Audit Fees

Others

Total Current Liabilities

Total Liabilities

Total Equity and Liabilities

Amounts in Taka

| | At 31 Dec 2012 | At 31 Dec 2011 |
|-------------------------------------|------------------|------------------|
| ASSETS | | |
| Non-Current Assets | - | - |
| Current Assets | | |
| Accounts Receivables | 6,262,402 | 3,335,131 |
| | 6,262,402 | 3,335,131 |
| Total Assets | 6,262,402 | 3,335,131 |
| EQUITY AND LIABILITIES | | |
| Equity | - | - |
| Liabilities | | |
| Non-Current Liabilities | - | - |
| Current Liabilities | | |
| Payable to AB Bank | 2,551,668 | 2,903,115 |
| Accounts Payable | 3,653,194 | 427,376 |
| Provision for Audit Fees | 52,900 | - |
| Others | 4,640 | 4,640 |
| Total Current Liabilities | 6,262,402 | 3,335,131 |
| Total Liabilities | 6,262,402 | 3,335,131 |
| Total Equity and Liabilities | 6,262,402 | 3,335,131 |

Profit and Loss Statement

For the year ended 31 December 2012

Operating Income

Commission, exchange and brokerage

Total Operating Income (a)

Operating Expenses

Rent, taxes and insurance

Auditor's fees

Other expenses

Total operating expenses (b)

Profit before provision (c=a-b)

Provision for taxation

Net profit after taxation

| | 2012 | 2011 |
|------------------------------------|----------------|------------------|
| Operating Income | | |
| Commission, exchange and brokerage | 128,727 | 3,937,606 |
| Total Operating Income (a) | 128,727 | 3,937,606 |
| Operating Expenses | | |
| Rent, taxes and insurance | - | 60,000 |
| Auditor's fees | 52,900 | 23,000 |
| Other expenses | 20,521 | 205,942 |
| Total operating expenses (b) | 73,421 | 288,942 |
| Profit before provision (c=a-b) | 55,306 | 3,648,664 |
| Provision for taxation | - | - |
| Net profit after taxation | 55,306 | 3,648,664 |

AB Bank Limited

Off-shore Banking Unit (OBU)

Annex - J

Balance Sheet

At 31 December 2012

| | Amounts in | | Amounts in | |
|---|--------------------|------------------|--------------------|------------------|
| | 31 Dec 2012 | | 31 Dec 2011 | |
| | Taka | USD | Taka | USD |
| PROPERTY AND ASSETS | | | | |
| Cash | - | - | - | - |
| Balance with Other Banks and Financial Institutions | 3,994,075 | 50,020 | 2,910,244 | 35,628 |
| In Bangladesh | 305,501 | 3,826 | 79,277 | 971 |
| Outside Bangladesh | 3,688,574 | 46,194 | 2,830,967 | 34,657 |
| Investment | - | - | - | - |
| Loans and Advances | 647,659,835 | 8,110,966 | 519,823,302 | 6,363,786 |
| Loans cash credits, overdrafts, etc. | 647,659,835 | 8,110,966 | 519,823,302 | 6,363,786 |
| Other Assets | 6,956,521 | 87,120 | 96,206 | 1,178 |
| Accrued Interest | 6,862,476 | 85,942 | - | - |
| Pre-paid Advances | 94,045 | 1,178 | 96,206 | 1,178 |
| Total Assets | 658,610,431 | 8,248,106 | 522,829,752 | 6,400,592 |
| LIABILITIES AND CAPITAL | | | | |
| Liabilities | | | | |
| Borrowing from Bank, Financial Institutions and agents | 632,749,606 | 7,924,238 | 475,647,021 | 5,822,971 |
| In Bangladesh-Call and Term Borrowings | 632,749,606 | 7,924,238 | 148,237,776 | 1,814,758 |
| Bangladesh Bank | - | - | 327,409,245 | 4,008,213 |
| Deposits and Other Accounts | 5,613,397 | 70,299 | 23,924,640 | 292,890 |
| Demand Deposits | 216,502 | 2,711 | 21,659,118 | 265,155 |
| Demand Deposits-Others | 5,396,895 | 67,588 | 2,265,522 | 27,735 |
| Total Liabilities | 638,363,003 | 7,994,537 | 499,571,661 | 6,115,861 |
| Capital and Shareholders' Equity | | | | |
| Deficit in profit and loss account / Retained earning | 20,247,428 | 253,569 | 23,258,089 | 284,730 |
| Total Shareholders' Equity | 20,247,428 | 253,569 | 23,258,089 | 284,730 |
| Total Liabilities and Shareholders' Equity | 658,610,431 | 8,248,106 | 522,829,751 | 6,400,591 |

Profit and Loss Statement

For the year ended 31 December 2012

| | 2012 | | 2011 | |
|---|-------------------|----------------|-------------------|----------------|
| Interest income | 22,518,940 | 282,016 | 28,636,416 | 384,328 |
| Interest paid on deposits and borrowings | (14,804,327) | (185,402) | (16,693,511) | (224,043) |
| Net interest income | 7,714,613 | 96,614 | 11,942,905 | 160,285 |
| Commission, exchange and brokerage | 14,306,086 | 179,162 | 10,688,727 | 143,453 |
| Other operating income | 393,660 | 4,930 | 151,391 | 2,032 |
| Total operating income (A) | 22,414,359 | 280,706 | 22,783,023 | 305,770 |
| Salaries and allowances | 1,985,758 | 24,869 | 1,447,172 | 19,422 |
| Postage, stamps, telecommunication, etc | 180,181 | 2,257 | 24,244 | 325 |
| Other expenses | 992 | 12 | 96,264 | 1,292 |
| Total operating expenses (B) | 2,166,931 | 27,138 | 1,567,680 | 21,039 |
| Profit / (Loss) before provisions (C=A-B) | 20,247,428 | 253,569 | 21,215,343 | 284,730 |
| Provisions for loans and advances/Investment | - | - | - | - |
| Profit / (Loss) after provisions (C-D) | 20,247,428 | 253,569 | 21,215,343 | 284,730 |
| Provision for Taxation | - | - | - | - |
| Net Profit / (Loss) after taxation | 20,247,428 | 253,569 | 21,215,343 | 284,730 |

AB Investment Limited

Annex-K

Statement of Financial Position As at December 31, 2012

| | Amounts in Taka | |
|---|----------------------|----------------------|
| | At 31 Dec 2012 | At 31 Dec 2011 |
| ASSETS | | |
| Non Current Assets | | |
| Property, Plant and Equipment | 551,947,944 | 568,020,639 |
| Investment in Shares | 740,381,829 | 740,822,855 |
| Intangible Asset | - | 673,813 |
| Deferred Revenue Expenditure | 4,171,190 | 5,454,626 |
| Total Non Current Assets | 1,296,500,963 | 1,314,971,933 |
| Current Assets | | |
| Loans to Clients | 7,585,189,288 | 7,259,150,528 |
| Advance, Deposit and Prepayments | 96,487,479 | 90,449,983 |
| Receivable from Brokers | 44,357,686 | 31,773,317 |
| Advance Income Tax | 90,528,170 | 180,233,063 |
| Cash & Bank Balances | 611,494 | 214,412 |
| Total Current Assets | 7,817,174,117 | 7,561,821,303 |
| TOTAL ASSETS | 9,113,675,081 | 8,876,793,236 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Paid-up Capital | 99,900,000 | 99,900,000 |
| Retained Earnings | 656,771,294 | 771,663,085 |
| Share Money Deposit | 4,900,100,000 | 4,900,100,000 |
| Total Equity | 5,656,771,294 | 5,771,663,085 |
| Non-Current Liabilities | | |
| Provident Fund, Gratuity Fund and Recreation Club | 3,773,765 | 2,356,416 |
| Current Liabilities | | |
| Borrowing from Banks | 2,548,509,568 | 2,370,888,982 |
| Liabilities for expenses | 17,408,277 | 1,250,150 |
| Payable against sales proceeds of Share | 46,857,687 | 34,273,316 |
| Provision for Taxation | 216,953,723 | 374,253,055 |
| Provision for unclassified loan & investments | 187,363,878 | 149,202,254 |
| Credit Balance with Clients' A/C | 79,036,889 | 172,905,978 |
| Other liability | 357,000,000 | - |
| Total Current Liabilities | 3,453,130,022 | 3,102,773,735 |
| Total Liabilities | 3,456,903,787 | 3,105,130,151 |
| TOTAL EQUITY & LIABILITIES | 9,113,675,081 | 8,876,793,236 |

AB Investment Limited

Annex-K1

Statement of Comprehensive Income For the year ended 31 December 2012

| | 2012 Taka | 2011 Taka |
|--|--------------------|----------------------|
| Operating Income | | |
| Interest Income | 807,716,223 | 858,347,544 |
| Management Fee | 82,384,201 | 232,109,917 |
| Transaction/Settlement Fee | 45,223,575 | 101,193,439 |
| Other Operating Income | 275,189 | 12,002,092 |
| Total Operating Income (a) | 935,599,188 | 1,203,652,992 |
| Operating Expenses | | |
| Salary and Allowances | 15,676,535 | 19,799,282 |
| Audit and Consultancy | 263,700 | 680,100 |
| Administrative Expenses | 33,150,644 | 39,552,606 |
| Financial Expense | 322,212,573 | 148,417,143 |
| Total Operating Expenses (b) | 371,303,452 | 208,449,131 |
| Net Operating Income (c=a-b) | 564,295,736 | 995,203,861 |
| Investment Income (d) | 14,247,525 | 2,804,285 |
| Profit before Provision for Loan & Investment (e=c+d) | 578,543,261 | 98,008,146 |
| Provision for Investment | 38,161,624 | 77,418,152 |
| Total Provision for Loan & Investment (f) | 38,161,624 | 77,418,152 |
| Net Profit before taxation for the year (e-f) | 540,381,637 | 920,589,994 |
| Less: Provision for Taxation | 216,953,723 | 374,253,055 |
| Current Tax | 201,609,426 | 374,253,055 |
| Deferred Tax | 15,344,297 | - |
| Net profit after taxation for the year | 323,427,914 | 546,336,939 |
| Earnings Per Share (EPS) | 32.38 | 54.69 |

AB Securities Limited

Annex-L

Statement of Financial Position

As at December 31, 2012

| | Amounts in Taka | |
|---|--------------------|--------------------|
| | At 31 Dec 2012 | At 31 Dec 2011 |
| Sources of Fund | | |
| Shareholders' Equity | | |
| Share Capital | 35,000,000 | 35,000,000 |
| Share Money Deposit | 165,000,000 | 165,000,000 |
| Retained Earnings | 208,980,372 | 222,959,017 |
| Total Shareholders' Equity | 408,980,372 | 422,959,017 |
| Application of Fund | | |
| Non Current Assets | | |
| Property, Plant & Equipment | 17,583,535 | 20,743,096 |
| Preliminary Expenses | 617,790 | 926,682 |
| | 18,201,325 | 21,669,778 |
| Investments | 67,495,080 | 154,403,988 |
| Current Assets | | |
| Cash and Cash Equivalents | 117,301,459 | 8,595,194 |
| Other Current Assets | 1,099,160,108 | 1,052,973,318 |
| Advances, Deposits & Prepayments | 3,772,681 | 3,094,602 |
| Advance Income Tax | 78,137,933 | 35,794,526 |
| | 1,298,372,180 | 1,100,457,640 |
| Less: Current Liabilities and Provisions | | |
| Other Liabilities | 867,414,408 | 792,511,548 |
| Accrued Expenses | 1,462,919 | 1,244,999 |
| Provision for Income Tax | 106,210,886 | 59,815,843 |
| Net Current Assets | 975,088,213 | 853,572,390 |
| | 323,283,967 | 246,885,251 |
| Total Application of Fund | 408,980,372 | 422,959,017 |

Statement of Comprehensive Income

For the year ended 31 December 2012

| | 2012 | 2011 |
|---|--------------------|--------------------|
| OPERATING INCOME | | |
| Brokerage Commission | 63,805,577 | 99,298,421 |
| Interest Income | 105,551,083 | 105,296,947 |
| Investment Income | 357,905 | 49,942,963 |
| Other Operating Income | 1,946,917 | 2,802,123 |
| Total Operating Income (a) | 171,661,482 | 257,340,454 |
| OPERATING & OTHER EXPENSES | | |
| Operating Expenses | 43,791,759 | 46,683,365 |
| Other Financial Expenses | 1,142,043 | 10,572,533 |
| Depreciation on Property, Plant & Equipment | 5,307,496 | 4,508,754 |
| Total Operating & Other Expenses (b) | 50,241,298 | 61,764,652 |
| Profit Before Provision (c=a-b) | 121,420,184 | 195,575,802 |
| PROVISION | | |
| Against Margin Loan | - | 27,700,000 |
| For Diminution in Value of Investments | 12,003,786 | 11,390,264 |
| Total Provision (d) | 12,003,786 | 39,090,264 |
| Profit Before Taxation (c-d) | 109,416,398 | 156,485,537 |
| Provision for Taxation | 46,395,043 | 59,815,843 |
| Current Tax | 45,942,565 | 59,731,717 |
| Deferred Tax | 452,478 | 84,126 |
| Net Profit After Taxation | 63,021,355 | 96,669,694 |
| Earnings Per Share (EPS) | 18.01 | 27.62 |

Cashlink Bangladesh Limited (CBL)

Annex-M

Balance Sheet

As at 31 December 2012

| | Amounts in Taka | |
|-------------------------------------|----------------------|----------------------|
| | At 31 Dec 2012 | At 31 Dec 2011 |
| ASSETS | | |
| Non-Current Assets | | |
| Property, Plant and Equipment | 27,396,101 | 53,463,088 |
| Intangible Assets | 31,126,688 | 57,532,034 |
| Total Non Current Assets | 58,522,788 | 110,995,122 |
| Current Assets | | |
| Cash and Bank Balances | 5,670,009 | 6,662,274 |
| Investment in Fixed Deposit | - | 313,822,974 |
| Investment in Share | 26,932,725 | 32,849,658 |
| Advance, Deposit and Prepayments | 19,970,904 | 17,290,753 |
| Accounts Receivables | 3,316,751 | 10,613,873 |
| Total Current Assets | 55,890,388 | 381,239,532 |
| Total Assets | 114,413,174 | 492,234,654 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share Capital | 238,000,000 | 238,000,000 |
| Share Money Deposit | 4,200,000 | 4,200,000 |
| Retained Loss | (489,608,853) | (436,307,750) |
| Total Equity | (247,408,853) | (194,107,750) |
| Liabilities | | |
| Non-Current Liabilities | 9,742,006 | 9,742,006 |
| Current Liabilities | | |
| Accrued Expenses | 7,850,399 | 14,931,180 |
| Accounts Payable | 60,211 | 656,420 |
| VAT Deducted at Source | 159,229 | 168,728 |
| Bank Overdraft | 343,241,029 | - |
| Provision for Tax | 769,153 | 450,190 |
| Payable to AB Bank Ltd | - | 660,393,882 |
| Total Current Liabilities | 352,080,021 | 676,600,398 |
| Total Liabilities | 361,822,027 | 686,342,404 |
| Total Equity and Liabilities | 114,413,174 | 492,234,654 |

Profit and Loss Statement

For the year ended 31 December 2012

| | 2012 | 2011 |
|---|----------------------|----------------------|
| Revenue | 17,300,450 | 12,502,313 |
| Less: Operating Expenses | 41,847,094 | 53,301,671 |
| Gross Loss | (24,546,644) | (40,799,358) |
| Less: General and Administration Expenses | 71,585,465 | 77,491,151 |
| Net Operating Loss | (96,132,109) | (118,290,509) |
| Add: Other Income | 43,149,969 | 72,265,690 |
| Net Loss before Tax | (52,982,140) | (46,024,819) |
| Tax Expenses/ Provision for Tax | 318,963 | 450,190 |
| Net Loss after Tax | (53,301,102) | (46,475,009) |
| Retained Loss Brought Forward | (436,187,899) | (389,712,891) |
| Retained Loss Carry Forward | (489,489,001) | (436,187,899) |

AB International Finance Limited

Annex-N

Balance Sheet

As at 31 December 2012

| | Amounts in HK\$ | |
|--|--------------------|--------------------|
| | At 31 Dec 2012 | At 31 Dec 2011 |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 48,854 | 46,385 |
| CURRENT ASSETS | | |
| Discounted bills receivable | 161,083,199 | 165,416,484 |
| Deposits, prepayments and other receivable | 810,128 | 618,129 |
| Tax refundable | 87,805 | - |
| Cash and bank balances | 4,012,505 | 416,732 |
| | 165,993,637 | 166,451,345 |
| CURRENT LIABILITIES | | |
| Accrued liabilities and other payables | 4,464,774 | 5,383,378 |
| Deferred interest income | 1,554,382 | 1,563,367 |
| Provision for long service payments | 485,631 | 466,954 |
| Due to ultimate holding company | 141,205,000 | 140,197,500 |
| Tax payable | - | 560,668 |
| | 147,709,787 | 148,171,867 |
| | 18,283,850 | 18,279,478 |
| NET CURRENT ASSETS | 18,332,704 | 18,325,863 |
| EQUITY | | |
| Share capital | 1,000,000 | 1,000,000 |
| Retained earnings | 563,904 | 563,904 |
| Proposed final dividend | 9,206,841 | 9,200,000 |
| Capital Reserve | 7,561,959 | 7,561,959 |
| | 18,332,704 | 18,325,863 |

Profit and Loss Statement

For the year ended 31 December 2012

| | 2012 | 2011 |
|---|--------------------|--------------------|
| Interest income | 8,151,868 | 9,812,934 |
| Interest expenses | (1,094,387) | (1,684,698) |
| Net interest income | 7,057,481 | 8,128,236 |
| Other operating income | 7,981,768 | 7,937,797 |
| Total operating income | 15,039,249 | 16,066,033 |
| Staff costs | (1,806,778) | (2,554,635) |
| Depreciation | (25,158) | (18,798) |
| Provision for long service payments | (18,677) | (24,023) |
| Other operating expenses | (2,175,113) | (1,932,688) |
| Total operating expenses | (4,025,726) | (4,530,144) |
| Profit before taxation | 11,013,523 | 11,535,889 |
| Income tax | (1,806,682) | (1,906,487) |
| Profit for the year | 9,206,841 | 9,629,402 |
| Retained earnings at start of the year | 563,904 | 134,502 |
| Dividends | (9,206,841) | (9,200,000) |
| Retained earnings at the end of the year | 563,904 | 563,904 |

AB Exchange (UK) Limited (ABEL)

Annex-O

Balance Sheet

As at 31 December 2012

| | Amounts (GBP) | |
|--|----------------|------------------|
| | At 31 Dec 2012 | At 31 Dec 2011 |
| FIXED ASSETS | | |
| Tangible Assets | 81,876 | 108,317 |
| | 81,876 | 108,317 |
| Current Assets | | |
| Debtors | 10,457 | 9,280 |
| Cash at Bank and in Hand | 34,055 | 26,901 |
| | 44,512 | 36,181 |
| Creditors | | |
| Amounts falling due with in one year | (52,698) | (24,448) |
| | (8,186) | 11,733 |
| Net Current Liabilities | | |
| | (8,186) | 11,733 |
| Total Assets less Current Liabilities | 73,690 | 120,050 |
| Creditors | | |
| Amounts falling due after more than one year | (50,000) | (249,998) |
| | 23,690 | (129,948) |
| Net (Liabilities)/Assets | | |
| | 23,690 | (129,948) |
| CAPITAL AND RESERVES | | |
| Called up share capital | 250,000 | 2 |
| Profit and loss account | (226,310) | (129,950) |
| | 23,690 | (129,948) |
| SHAREHOLDERS' FUNDS | | |
| | 23,690 | (129,948) |

Profit and Loss Statement

For the year ended 31 December 2012

| | 2012 | 2011 |
|--|-----------------|------------------|
| Turnover | 22,976 | 6,042 |
| Gross Profit | 22,976 | 6,042 |
| Administrative expenses | (119,336) | (135,992) |
| Operating Loss | (96,360) | (129,950) |
| Loss on ordinary activities before taxation | (96,360) | (129,950) |
| Tax on loss on ordinary activities | - | - |
| NET LOSS | (96,360) | (129,950) |

Arab Bangladesh Bank Foundation (ABBF)

Annex-P

Balance Sheet

As at 31 December 2012

| | Amounts in Taka | |
|--|--------------------|--------------------|
| | At 31 Dec 2012 | At 31 Dec 2011 |
| Sources of Funds | | |
| Shareholders' Equity: | | |
| Share Capital | 20,000,000 | 20,000,000 |
| Retained Earning | 410,853,789 | 386,942,711 |
| Total Shareholders' Equity | 430,853,789 | 406,942,711 |
| Application of Funds | | |
| Fixed Assets less accumulated depreciation | 13,543,492 | 13,543,492 |
| | 13,543,492 | 13,543,492 |
| Current Assets, Loans and Advances | | |
| Balance with other Bank | 94,147,738 | 65,393,748 |
| Other current assets | 350,000,000 | 350,000,000 |
| Advances, deposit and prepayment | 54,608,221 | 46,216,242 |
| Accrued interest on FDR | 1,026,754 | - |
| | 499,782,713 | 461,609,990 |
| Less: Current Liabilities and Provisions: | | |
| Other Liabilities | 559,533 | 709,533 |
| Liabilities for expenses | 137,500 | 72,500 |
| Provision for Tax | 81,775,383 | 67,428,738 |
| | 82,472,416 | 68,210,771 |
| Net Current Assets | 417,310,297 | 393,399,219 |
| Total Application of Fund | 430,853,789 | 406,942,711 |

Profit and Loss Statement

For the year ended 31 December 2012

| | 2012 | 2011 |
|---|-------------------|-------------------|
| Income | 51,231,967 | 46,444,288 |
| Interest Income | 51,231,967 | 46,444,288 |
| Other Operating Income | - | - |
| Less: Operating and Other Expenses | 12,974,242 | 13,581,730 |
| Operating Expenses | 389,100 | 385,750 |
| Financial Charge | 12,167 | 12,300 |
| Other Expenses | 12,572,975 | 13,183,680 |
| Profit before tax | 38,257,725 | 32,862,558 |
| Provision for taxation | | |
| Current tax | 14,346,647 | 12,323,459 |
| Profit after tax | 23,911,078 | 20,539,099 |

AB Bank Limited

Annex-Q

Name of the Directors and entities in which had interest As at 31 December 2012

| Sl. No. | Name | Status | Name of Firms / Companies in which interested as pro-prioritor/partner/director/managing agent/guarantor/employees etc |
|---------|--|----------------------------------|--|
| 1 | Mr. M. Wahidul Haque | Chairman | Chairman: - AB Bank Limited - AB Investment Limited - AB Securities Limited - Cashlink Bangladesh Limited - AB Exchange (UK)Ltd., London, UK. Managing Director: - Deundi Tea Co. (UK) Ltd. - Noyapara Tea Co. Ltd. |
| 2 | Mr. Salim Ahmed | Vice-Chairman | 1) Elite Chemical Industries Ltd. 2) Elite International Ltd. 3) Hexagon Chemical Complex Ltd. 4) Super Petrochemical (Pvt.) Ltd. 5) Super Refinery (Pvt.) Ltd. 6) Elite Super Plastic Ind.(pvt.) Ltd. 7) Super Share & Securities Ltd. 8) Elite Properties Management Ltd. 9) Super Sea Fish (Pvt.) Ltd. 10) Bangladesh General Insurance Ltd. 11) Super Tel Limited 12) Elite Oil Refinery Ltd. 13) Centre point Hospital (pvt.) Ltd |
| 3 | Mr. Feroz Ahmed | Director | 1) Elite Chemical Industries Ltd. 2) Elite International Ltd. 3) Hexagon Chemical Complex Ltd. 4) Ahmed Securities Ltd. 5) Universal Shipping and Trawling Company 6) Bangladesh General Insurance Company Ltd. 7) Holy Crescent Hospital |
| 4 | Mr. M. A. Awal | Director | AB International Finance Ltd., Hongkong -As Nominee Director |
| 5 | Mr. Shishir Ranjan Bose, FCA | Independent Director | 1) S.R. Bose & Co. Chartered Accountants as Proprietor 2) AB Securities Ltd. -As Independent Director. 3) Cashlink Bangladesh Ltd. -As Independent Director 4) AB Exchange (UK) -As Independent Director |
| 6 | Mr. Faheemul Huq, Barrister-at-Law | Director | N/A |
| 7 | Mr. Syed Afzal Hasan Uddin Barrister-at-Law | Director | 1) Maar Ltd. 2) Millennium Aviation Ltd. 3) Managewell Holdings Ltd. 4) Managewell Investment Ltd. 5) Managewell Communication Ltd. 6) Managewell Media Ltd. 7) Hyundai Automobiles Bangladesh Ltd. 8) Syed Ishtiaq Ahmed & Associates. |
| 8 | Mr. Gholam Sarwar | Director | 1) Pacific Motors Limited 2) Pacific Industries Limited 3) Therapeutics Bd. Limited |
| 9 | Mr. Md. Mesbahul Hoque | Director | 1) Reptiles Firm Ltd., Chairman & Managing Director(Acting) 2) Therapeutics Bangladesh Ltd., Managing Director |
| 10 | Mr. Md. Anwar Jamil Siddiqui | Director | 1) Pacific Motors Limited, Director 2) Therapeutics Bangladesh Ltd, Director |
| 11 | Mr. B.B. Saha Roy | Director | 1) Elite Paint & Chemical Industries Ltd. 2) Hexagon Chemical Complex Ltd. 3) Elite International Ltd. |
| 12 | Dr. M. Imtiaz Hossain | Depositor Director | AB Investment Ltd. -as Independent Director |
| 13 | Mrs. Runa Zakia Shahrood Khan | Depositor Director | AB International Finance Ltd., Hongkongh -As Independent Director Friendship -as Ex Executive Director |
| 14 | Mr. M. Fazlur Rahman | President & Managing Director | 1) AB Securities Ltd. -As Director 2) Cashlink Bangladesh Ltd. -As Nominee Director |

Citizen Charter



AB Bank Limited Corporate Social Responsibility

The role of business worldwide and specifically in the developed economies has evolved over the last few decades from classical 'profit maximizing' approach to a socially responsible approach, where businesses are not only responsible to its stockholders but also to all of its stakeholders in a broader inclusive sense. One can identify so many reasons for shifting the role of business from classical concept to a responsible business concept, but negative impression of stakeholders on the enterprise would get a higher priority among others. In one hand, enterprises create wealth and job opportunities for the society and on the other, they pollute and destroy environment and ecology with devastating impact on human health and bio-diversity worldwide. To address the social problems or the problems of the stakeholders, the business community evolved a new approach in their business strategies named CSR and through CSR enterprises intent to strike a balance between economic and social goals, where resources are used in a rational manner and social needs are be addressed responsibly. CSR can be viewed as a comprehensive set of policies, practices, and programs that are integrated into business operations, supply chains, and decision making processes throughout the company and include responsibilities for current and past actions as well as adequate attention to future impacts.

CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis. Socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing 'more' into human capital, the environment and in rapport-building with stakeholders.

CSR has some internal dimensions such as human resources management, health and safety at work, adaptation to change and management of environmental impact and natural resources. The external dimensions include local communities, business, partners, suppliers and consumers, human rights and global environmental concerns. Again, CSR may be as simple as sponsoring social service oriented entertainment events. In essence, 'CSR is positive rapport with the society'.

AB Bank is always committed to the cause of the society. AB is increasing depth and diversity of CSR engagements both in direct budgetary expenditure and financial inclusion drives, in greening internal practices & processes and in lending to environmentally benign projects.

CSR initiatives of AB in 2012 continued focus on i) Promotion of health, education and culture/recreational activities for advanced and well being of underprivileged population segments ii) emergency relief in humanitarian distress iii) Art & culture preservation iv) Sports Arena v) financing in and promotion of environment friendly projects vi) financial inclusion of less privileged population segments.

ABBL & Employees:

With the broader objective of the Bank, Human Resources have been playing a significant role in line with its strategy to support sustainable and consistent business emphasizing the core values of the Bank. AB Bank believes, in an environment where technology, business models create a level playing field and people factor and the organization culture become the key differentiator in achieving business excellence. The Board of Directors and the Management of AB Bank always extend continuous support in conducting training programs which certainly facilitates excellence in Banking through development of attitude, knowledge and skill of the Bank's officials. **AB Bank's HR strategy is aimed at ensuring sustainable growth in business, steady and stable value creation for our Customers, Shareholders, Employees and the Society.**

AB Bank arranges yearly employee relations events where employees are rewarded for their contributions as well as the children of the employees who have accomplished brilliant results in public examinations are rewarded in such occasions. In the year of 2012, AB Bank celebrated its 30th anniversary by organizing different events countrywide. Bank has created an education trust fund worth of Tk. 50.00 lac for children of its non-cadre employees to keep them with their higher education. To rejoice the anniversary, Painting & Essay competition 'Ronger Khela' and 'Lekhar Utshab' had been organized for the children of employees of AB Bank.

Besides the healthy pay and benefit packages, performance wise incentive bonuses are awarded to the employees for achieving business target and for future motivation in profit maximization with quality of business.

AB Bank spread awareness towards health and safety begins right from its daily working environment. Ensuring employee & their immediate family health care services, Bank has already linked with two renowned hospitals. These agreements will benefit the employees with medical bill discounts, customized health checkups and health awareness program.

Market Environment:

AB Bank has set credit extension policies for industries in various sectors with emphasis on environmental compliance requirements. Safety and waste disposal standard norm is one of the deducing factors for credit extension to Steel, Re-Rolling mills and other types of manufacturing concerns. In respect to trade finance for Fertilizers, Chemicals etc adherence to the respective regulatory certification and storing condition is mandatory prior to extension of credit or service support. Prior to approving financing for projects, officers of the Bank visit the project sites in order to assess and

AB Bank Limited Corporate Social Responsibility

evaluate their impact on environment. Also, appraisals are carried out on the prospective project to ascertain the degree of pollution, if any, while evaluating and granting of industrial loans by the Bank. The Bank ensures that clients obtain the necessary environmental clearance (ETP clearance from DoE) as and when required. AB Bank encourages ETP models and prefers giving loan to environment friendly sector, such as solar energy sector. AB Bank does not provide loan in such sectors which harms the environment such as traditional brick fields.

Financial inclusion

AB Bank Limited has financed poor indigenous people (Tanchanga community) and marginal people for poverty alleviation in association with NGOs through our Cox's Bazar, Kakrail, Savar and Sirajgonj Branch.

AB Bank Limited has financed to FIVDB, an NGO of Sylhet region, to promote use of Solar Panels in rural households. ABBL also financed Raj Washing Plant, an ETP from Mirpur Branch located in Joydebpur area. AB Bank organizes Mobile phone based/ local MFI outlet supported programs through Buro Bangladesh and PBTL for promptly delivering remittances from migrant workers to recipients in remote rural households; programs for card based/ mobile phone based delivery of financial services to such households.

Contribution to National Exchequer

AB Bank has contributed significantly to the Government effort in collection of Revenue. As per law, Bank deducts at source Income Taxes & VAT and deposits the same to the Govt. Treasury. Besides, Bank also pays Income Tax on its earnings. Total Payment to Govt. Treasury during 2012 is given below:

| Particulars | Amount in Crore Taka |
|---|----------------------|
| Income Tax (Tax on Banks Earnings & Source Deduction) | 320.02 |
| VAT(VAT on Banking Service & Source Deduction) | 38.62 |
| Excise Duty | 11.08 |
| Total | 369.72 |

Standing beside the families affected by BDR Tragedy

The loss of lives in the BDR carnage shocked the entire nation. AB pledged to provide financial assistance to one of the affected families for a period of 10 years starting from 2009.

Support to Autism Welfare Foundation



AB Bank extended its hand to AWF by financing Art Exhibition on paintings by Autistic children, workshop on Autism for parents and teachers, weekly early stimulation program for Autistic Children below the age of 3 years, Employment of Psychologist & Occupational Therapist for Autistic children and Subsidy on House Rent

Autism Welfare Foundation is working for autistic children to enable them to be self-supporting. AB contributed Tk. 0.31 million to support continuous and smooth functioning of the organization.

Joined Hands with BSMMU Hospital

AB had donated a spectrometer to BSMMU Hospital through its foundation to serve the patients especially to the poor and underprivileged.

Supporting Communities affected by river erosion in Jamalpur

Every year thousands of people become homeless and workless for erosion of river bank. Due to financial crisis they are unable to build their home again. Considering this, AB extended hand towards these poor people to build their home. As part of CSR initiatives AB Bank contributed Tk. 0.05 million through Arab Bangladesh Bank Foundation for supporting communities affected by river erosion.

AB Bank Limited Corporate Social Responsibility

Joined Hands with "PROYASH"

PROYASH is an institute run under the patronization of Bangladesh Army for well-being of children with special needs and disability. The motto of the institute is "Special Child Special Right". The vision of the institute is to emerge as a center of excellence with multi-dimensional activities with the objectives to explore and develop to the fullest, the potential of each individual with special needs and integrate them with the society. AB contributed Tk. 0.05 million to PROYASH for fund raising events for autistic & disabled children.

Financial Support to "Hay Festival Dhaka"

AB Bank Limited contributed Tk. 1 million to Hay Festival of Literature & Arts Limited for Literary Festival "Hay Festival-Dhaka" to promote our rich Bengali literacy heritage as well as English literary works of our local writers.

Distributing warm cloths among the victims of Ramu:



AB Bank Ltd. has distributed blankets throughout the country this year to help and stand beside the deprived population, affected by the fierce winter as last couple of years.



Mr. M. A. Awal, Director, AB Bank handed over a cheque on behalf of AB Bank Limited for distributing warm cloths among winter affected people to Prime Minister Sheikh Hasina's Relief Fund at Prime Minister's Office in Dhaka.

AB extended hands for distributing warm clothes among the victims at Buddhist village at Ramu Upzila. AB contributed Tk. 10 million to Prime Ministers Relief Fund for warm clothes for the victims.

Support in Sports Arena:

AB has always extended it's hand to support the sports sector. Sports Vision Limited was incorporated with the vision to improve sports and sports related activities in the country. As part of it they published a sports directory and AB extended hand by contributing Tk. 1.20 million. Besides this, AB extended hand for President Golf Tournament, Viqarunnisa Noon School Handball team, Chittagong Warriors Sporting Club, Saint Martin Channel Swimming. AB also participates in Sports Commentary presentation and Journalism course.

Extended Hands to fire victims of Tajrin Garments:

AB Bank Limited contributed Tk 0.50 million to the fire victims of Tajrin Garments Limited.

Art & Culture:

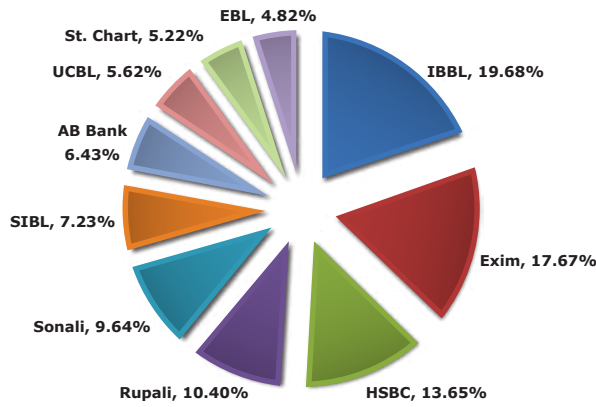
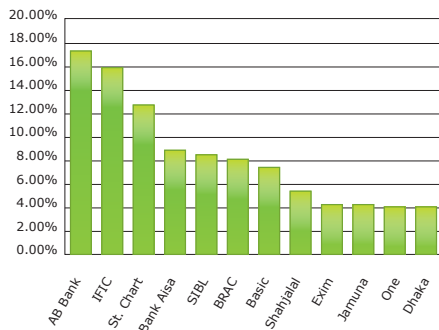
AB Bank believes art & culture are the essence of a nation. We are passionate about our art & culture. For long AB has been patron of arts, literature and culture. AB patronize in 2012 Dhaka International Film Festival, Syed Bodruddin Hossain Smrity Natto Utsob, sponsored the Publication o "Ae Desh Ae Mati" by Bangladesh Lolito kola Academy, sponsored the events " Boishakhe Chobu ako Joisthe Prodorson" by Potua Quamrul Hassan Art School, sponsored Publication of "Muktir Songram", sponsored solo art exhibition of Tipu Sultan etc. AB channelized CSR outlay in diverse areas judging from need and importance it attaches to the Bank's perspective.

AB Bank Limited Green Banking

Green Banking Activities 2012

Banks have started Environmental Risk Rating (EnvRR) since July 2011. Banks have done environmental risk rating in 4,394 and 12,088 projects in 2011 and 2012. We are glad that AB Bank is amongst the top ten Banks in Green Banking Activities during 2012. [Source: Annual Report on Green Banking 2012, Bangladesh Bank]

Top Ten Banks in EnvRR during 2012



Top Ten Banks in utilization of climate Risk Fund during 2012

Green Banking Activities

AB Bank has adopted comprehensive Green Banking Policy in line with global norms and BRPD Circular no. 02 Dated February 27, 2011 on "Policy Guidelines for Green Banking" (as approved by Board of Director's 488th Meeting held on December 19, 2011).

Accordingly,

- Green Banking Committee (GBC) has been formed (as performed by the Audit Committee).
- A separate Green Banking Unit (GBU) having the responsibility of designing, evaluating and administering related Green Banking issues of the bank has already been formed comprising with 7 (Seven) Senior Officials from AB Head Office and Branches.

As per Bangladesh Bank Guideline AB Bank has already implemented the 1st & 2nd Phases of Green Banking and all of us are practicing the same. Implementation of 3rd phase is under process.

Phase 1: Policy Formulation and Governance: Incorporation of ERM in CRM:

Eco friendly business activities and energy efficient industries are given preference in financing by the bank. Environmental infrastructure such as waste water treatment plant, bio-gas plant, bio-fertilizer plants are encouraged and financed by the bank. Besides, projects having such installations are also encouraged. Bank has incorporated Environmental and Climate Change Risk as part of the existing credit risk methodology and introduced Environment Due Diligence Checklist to assess existing as well as a prospective borrower (Credit Circular No.09/2011 in June).

In-House Environment Management:

We have introduced Green Office Guide (Green Tips) to better manage In-House Environment.

As per the above guide, Bank, among others:

- Prepare & maintain inventory of the consumption of water, paper, electricity, energy etc. in its offices and branches.
- Measures are taken to save electricity, water and paper consumption.
- In place of relying on printed documents, online communication is extensively used (where possible) for office management.
- Install energy efficient electronic equipments and automatic shutdown of computers, fans, lights, air coolers etc.

Slogan of Green Banking in AB - "REDUCE, REUSE AND RECYCLE"

REDUCE & REUSE: Every ton of paper saves around 17 number of trees. AB encourages:

- Purchase of recycled paper
- Printing on reusable sheets
- Printing multiple pages on single sheets of paper
- Printing only the pages required
- Preview documents before printing (to avoid wastage of paper by reprinting)
- Increasing margin width of the documents
- Lowering the default font (preferably to 10 point) which would shrink document by about 10%
- Using email statements and saving papers
- Fewer letters to open- we call or email you for service reasons wherever possible rather than writing to you
- No cheque book or paying-in book (withdrawal & payment through Card)
- Installing solar ATM's all over the country (we already have 7 such ATMs)
- Switching off the ACs after 7 pm (or earlier)

AB Bank Limited Green Banking

specially when not required), and maintaining the temperature of the AC @ minimum 22°C

- Switching off lights of common spaces after banking hours
- Switching off the computer/printer, when not in use

Green Monitor

To ensure optimum consumption of Electricity and Water it had been planned that Head Office and all Branches of the Bank will reduce electricity consumption by 10% in 2012. (GBU Circular -1 dated 15.01.2012). To this effect, one officer for each ABBL Floor (at HO as well as at each Branch) had been nominated as 'Green Monitor' who ensure compliance of Green-Office guideline.

Earth Hour

Introduction of Earth Hour in every Branch and at Head Office:

To save electricity and to promote the environmental cause effectively, every ABBL Branches switch off air coolers of the branches as well as the unnecessary lights for 1 (one) hour every **Sunday** from 3:00 p.m. to 4:00 p.m.

- To this effect, a placard inside prominent place of the branch is shown mentioning the time schedule and the very purpose of the same

CREATION OF CLIMATE RISK FUND

Bank has allocated Climate Risk Fund for CSR activities for the people affected by climate change like severe winters which we have seen in last few years.

GREEN MARKETING

To promote Green marketing Bank is arranging Training & Capacity Building.

ONLINE BANKING

- ABBL is a fully real-time online Bank that encourages customers to use Online banking for transactions
- It gives more emphasis to make the easiest way to help environment by eliminating paper waste, saving gas and carbon emission, reducing printing costs and postage expenses

Supporting Employee Training, Consumer Awareness and Green Event

In September, 2012 workshops were arranged for more than 100 officials of our Dhaka region Branch to create awareness of Green Banking amongst Bank officials.



Workshop on Environmental Risk Management and Green Banking

Earth Hour (**Green Event**) is practiced which also makes our customers aware.

Disclosure and reporting of Green banking:

Such disclosure has been done in our Annual Report, Bank's periodicals while our websites speaks of our Green Products.

PHASE – II of Green Banking:

As part of 2nd Phase of Green Banking, Bank has:

- Drafted Sector Specific Environmental Policies (Mancom approved)
- Formulated Green Strategic Planning
- Actively considered setting up of Green Branches
- Been practicing improved In-house Environment Management
- Formulated Bank Specific Environmental Risk Management Plan and guidelines
- Been organizing rigorous program to educate clients
- Ensured disclosure and reporting of Green banking activities in its website

AB Bank Limited
30th Anniversary Celebration



AB Bank Limited
30th Anniversary Celebration



Local Network



AB Bank Limited Branch Network

| SL No | Branch Name | Address | SL No |
|-------|-------------|---------|-------|
|-------|-------------|---------|-------|

Corporate Branches (2 Branches)

| | | | |
|---|-----------|------------------------------------|---|
| 1 | Motijheel | BSB Building, 08 DIT Avenue, Dhaka | 1 |
| 2 | Principal | 30-31, Dilkusha C/A, Dhaka | 2 |

Dhaka Region - 1 (16 - Branches)

| | | | |
|----|-----------------|--|----|
| 1 | Bandura | Bandura Govt. Super Market (1st floor) Hasnabad, Nawabgonj, Dhaka | 3 |
| 2 | Bhairab Bazar | 248 (W) Tin Potty, Bhairab Bazar, Bhairab, kishoregonj | 4 |
| 3 | Board Bazar | Union: Gacha, PO: National University, PS: Gazipur Sadar, Gazipur | 5 |
| 4 | Comilla | Mogholtooly Super Market (1st Floor), Mogholtooly Road, Comilla | 6 |
| 5 | Kakrail | 81, VIP Road, Dhaka - 1000 | 7 |
| 6 | Karwan Bazar | BSEC Bhaban, 102 Kazi Nazrul Islam Avenue, Dhaka - 1215 | 8 |
| 7 | Madhabdi | Parkashipur, Madhabdi Bazar, Narsingdi | 9 |
| 8 | Malibagh | Advanced Melinda (Level-1) 72, Malibagh, Dhaka- 1219 | 10 |
| 9 | Mirpur | 5/A, 5/B, Darus Salam Main Road (1st floor), Section 1, Mirpur, Dhaka | 11 |
| 10 | Mohakhali | Pacific Centre (1st Floor), 14 Mohakhali C/A, Dhaka - 1212 | 12 |
| 11 | Mymensingh | 52 Dr. Bipin Sen Road, Choto Bazar, Kotowali, Mymensingh | 13 |
| 12 | Jinjira | Hazi Karim Market, Purba Aganagar, Gudara Ghat Road, Keraniganj, Dhaka | 14 |
| 13 | Nawabpur | 198-202, Nawabpur Road (Nawabpur Tower), Nawabpur, Dhaka - 1100 | 15 |
| 14 | Progoti Sharani | N.R. Tower, 72 Progoti Sharani, Block -J, Baridhara, Dhaka | 16 |
| 15 | Rokeya Sharani | 923, Shewrapara Rokeya Sharani, Mirpur, Dhaka | 17 |
| 16 | Tangail | 702 Sabur Khan Tower, Kalibari Road, Tangail Sadar, Tangail | 18 |

Dhaka Region - 2 (16- Branches)

| | | | |
|----|-------------------|---|----|
| 1 | Ashugonj | Kashem Plaza, Ashugonj Sadar, Bramanbaria. | 19 |
| 2 | Brahmanbaria | 1090/5321, Court Road, Brahmanbaria | 20 |
| 3 | Chandra | Alhaj Khabiruddin Super Market (1st floor), Kaliakoir Bazar, Poura Shava, Kaliakoir, Gazipur | 21 |
| 4 | Chandpur | Holding No.123/115 Kalibari Pouro New Market, Chandpur Sadar, Chandpur | 22 |
| 5 | Dhanmondi | Plot: 45 (new), 286/B (old), Road: 16 (new), 27 (old), Dhanmondi R/A, Dhaka-1209 | 23 |
| 6 | Gulshan | Ventura Avenue (1st & 2nd floor) Plot. No. CWN (C) -8, Road No. 34, Gulshan -2, Dhaka- 1212 | 24 |
| 7 | Imamganj | 40, Imamganj, Dhaka | 25 |
| 8 | Islampur | 38-39, Islampur, Dhaka | 26 |
| 9 | Joypara | Dohar, Dhaka | 27 |
| 10 | Narayanganj | 109 B.B Road Narayanganj | 28 |
| 11 | New Elephant Road | Novera Square, House 05, Road 02, Dhanmondi, Dhaka - 1205 | 29 |
| 12 | North South Road | 9/1 North South Road (Bangshal), Dhaka - 1100 | 30 |
| 13 | Pagla | Al-haj, Afsar Karim Bhaban, DN Road, Pagla, Narayanganj | 31 |
| 14 | Savar | Palash Bari, Baipal, Savar, Dhaka | 32 |
| 15 | Shyamoli | Shymoli Square, (Level-1 & 2) Holding # 24/1 & 24/2, Plot No# 23/8-B & 23/8-C, Block- B, Khilji Road, Ward # 45, Mohammadpur, Dhaka | 33 |
| 16 | Uttara | House: 11, Road: 14D, Sector: 4, Uttara, Dhaka | 34 |

Chittagong Region - 1 (12 Branches)

| | | | |
|----|-----------------|---|----|
| 1 | Agrabad | BCIC Sadan, 26, Agrabad C/A, Chittagong | 35 |
| 2 | Chaumuhani | 886, Feni Road, Chaumuhani, Begumganj, Noakhali | 36 |
| 3 | Dewanhat | 315, Dewan Chamber, Dewanhat, Doublemuring, Chittagong. | 37 |
| 4 | EPZ | Bay Shopping Centre, P.O. EPZ, South Haliashahar, P.S., Bandar, Chittagong | 38 |
| 5 | Feni | Haque Plaza (1st Floor), 193, SSK Road, Feni | 39 |
| 6 | Hathazari | Hajee Siddique Market (1st floor), Hathazari Bus Stand, Hathazari, Chittagong | 40 |
| 7 | Jubilee Road | 175, Jubilee Road, Enayet Bazar, Chittagong | 41 |
| 8 | Nazumeah Hat | Burishchar, Kaptai Road, Hathazari, Chittagong | 42 |
| 9 | Port Cont. Road | 5, Port Connecting Road, Block G, Berapole, Haliashahar, Chittagong | 43 |
| 10 | Patherhat | Khayez Shopping Center (2nd floor), Patherhat, Noyapara, Chittagong | 44 |
| 11 | Sitakunda | Aziz Shopping Complex, Mohadevpur, Chittagong | 45 |
| 12 | Station Road | 86 Station Road, Nupur Market, Chittagong | 46 |

AB Bank Limited Branch Network

| SL No | Branch Name | Address | SL No |
|---|-------------------------------|--|-------|
| Chittagong Region - 2 (13 Branches) | | | |
| 1 | Khatungonj | 395, Khatungonj, Chittagong | 47 |
| 2 | Anderkilla | K.M.C Tower (1st Floor), 133, Anderkilla, Chittagong | 48 |
| 3 | Chawk Bazar | Moti Tower, 67/68 College Road, Chawkbazar, Chittagong | 49 |
| 4 | Bahaddar Hat | 4543, Bahaddarhat, Medina Hotel (1st Floor), Chandgaon, Chittagong | 50 |
| 5 | Boalkhali | TCCA Complex, Gomdandi (East), Boalkhali, Chittagong | 51 |
| 6 | CDA Avenue | BMA Bhaban (Gorund Floor), 1367 CDA Avenue, East Nasirabad, Chittagong | 52 |
| 7 | Cox's Bazar | Digonta Complex (New Market), Bazar Ghata, Cox's Bazar | 53 |
| 8 | Chakaria | "M Rahman Complex" (1st floor), Holding No. 625, Ward No. 4, Chakaria, Cox's Bazar | 54 |
| 9 | Khulshi | Khulshi House, Bungalow No. 2, B-2, Road No. 1, Khulshi, Chittagong | 55 |
| 10 | Lohagara | "Mostafa City", Amirabad, Lohagara, Chittagong | 56 |
| 11 | Pahartali | Abdur Rahim Tower (1st Floor), 972/1043, D.T Road, A.K Khan Gate, North Pahartoli, Chittagong | 57 |
| 12 | Teknaf | Teknaf Main Road, Teknaf, Cox's Bazar | 58 |
| 13 | Sandwip | Sandwip City Centre, Anam Nahar, Plot No. 22370-71, Union-HaraMia, P.S. Sandwip, Chittagong. | 59 |
| Sylhet Region - 10 Branches | | | |
| 1 | Boroikandi | Rongdhonu Biponi Bitan (1st floor) Central Bus Terminal Road, Verthokhola, Sylhet | 60 |
| 2 | Chhatak | Madaris Mansion, Bagbari, Chattak, Sunamganj | 61 |
| 3 | Dargah gate | Raj Manjil, Dargahgate, Sylhet | 62 |
| 4 | Garden Tower | Biswa Road, Shahjalal Uposhohor Point, Sylhet 3100 | 63 |
| 5 | Madhabpur | Munshi Tower (1st Floor), Madhabpur, Habiganj | 64 |
| 6 | VIP Road | Surma Tower, VIP Road, Taltala, Sylhet - 3100 | 65 |
| 7 | Moulvi Bazar | Shamsher Nagar Road, Choumuhani, Moulvibazar | 66 |
| 8 | Sreemongal | Aziz Super Market, Moulvibazar Road, Sreemangol, Moulvibazar | 67 |
| 9 | Tajpur | Haji Keramat Ali Super Market, Kadamtala, Tajpur, Sylhet | 68 |
| 10 | Habiganj | Shayestaganj Main Road, Holding No#6286, Ward No# 8, Habiganj | 69 |
| Khulna Region - 7 Branches | | | |
| 1 | Barisal | Monsur Mansion, 101, Sadar Road, Barisal | 70 |
| 2 | Benapole | 607 Benapole, Local Bus Stand, Benapole, Jessore | 71 |
| 3 | Jessore | 38 M.K. Road, Jessore | 72 |
| 4 | Jhikargacha | Haji Afsaruddin Market, Jhikargacha | 73 |
| 5 | Khulna | Mollick Shopping Complex Limited, 99 Khan A Sabur Road, Khulna | 74 |
| 6 | Kushtia | 12-14 Nawab Serajuddowla Road, Boro Bazar, Kushtia | 75 |
| 7 | Satkhira | 884/810, Abul Kashem Road, Satkhira | 76 |
| Rajshahi Region - 9 Branches | | | |
| 1 | Bogra | 324, Kazi Nazrul Islam Sarak, Jhawtala, Bogra | 77 |
| 2 | Chapai Nawabganj | 16 Godagari Road, Chapai Nawabganj | 78 |
| 3 | Dinajpur | 189 Zabed Super market, Bahadur Bazar, Dinajpur | 79 |
| 4 | Naogaon | Mozaffer Hossain Marketing Complex, Main Road, Naogaon | 80 |
| 5 | Pabna | A.R. Plaza, Abdul Hamid Road, Pabna. | 81 |
| 6 | Rajshahi | 102-103, Shaheb Bazar, Rajshahi | 82 |
| 7 | Rangpur | 91-92, Central Road, Kotowali, Rangpur | 83 |
| 8 | Saidpur | 24, Nur Plaza (1st & 2nd Floor), Ward No. 12, Shaheed Dr. Zikrul Haque Road, Saidpur, Nilphamari | 84 |
| 9 | Sirajgonj | Friend Plaza (1st floor), S. S Road, Ward 1, Sirajganj | 85 |
| Islami Banking - 1 Branch | | | |
| 1 | Islamic Banking - Kakrail | 82, Kakrail, Ramna, Dhaka | 86 |
| Overseas Branch-1 Branch | | | |
| 1 | Mumbai Branch | Liberty Building, 41-42, Sir Vithaldas Thackersey Marg, New Marine Lines, Mumbai-400020, India | 87 |
| Overseas Subsidiaries | | | |
| 1 | AB International Finance Ltd. | Unit 1201-B, 12/F, Admiralty Centre, Tower One, 18 Harcourt, Hongkong | |
| 2 | AB Exchange (UK) Ltd. | 69 Whitechapel High Street, London, E1 7PL | |

AB Bank Limited ATM Network

| ATM Name | ATM Branch Name | ATM Booth Address | Live Date |
|-------------------------|-------------------|---|-----------|
| Board Bazar | Board Bazar | Union: Gacha, PO: National University, PS: Gazipur Sadar, Gazipur 1704 | 1-Jul-09 |
| Joypara Branch | Joypara | Joypara, Dohar, Dhaka 1300 | 6-Oct-09 |
| Gulshan Branch | Gulshan | Ventura Avenue, Plot No. CWN(C)-8, Road No. 34, Gulshan Model Town, Gulshan, Dhaka | 6-May-10 |
| Bogra Branch | Bogra | 324, Kazi Nazrul Islam Sarak, Jhawtala, Bogra 5800 | 10-May-10 |
| Kakrail (Islami Branch) | Kakrail | 82, V.I.P Road, Kakrail, Dhaka 1000 | 7-Jun-10 |
| Dargahgate | Dargahgate | Raj Manjil, Dargahgate, Sylhet 3100 | 14-Jun-10 |
| Garden Tower | Garden Tower | Bishwa Road, Shahjalal Uposhohor Point, Sylhet 3100 | 14-Jun-10 |
| V.I.P Road Branch | VIP Road | Surma Tower, Plot - 6006(old), 27640(new), Ward 13, V.I.P. Road, Taltala, P.S.: Kotwali, Sylhet City Corporation, Sylhet 4112 | 14-Jun-10 |
| Chattak Branch | Chattak | Madaris Mansion, Bagbari, Chattak, Sunamganj 08723 | 15-Jun-10 |
| Tangail | Tangail | 702 Sabur Khan Tower, Kalibari Road, Tangail Sadar, Tangail 1900 | 16-Jun-10 |
| Principal Branch | Principal | BCIC Bhaban, 30-31, Dilkusha C/A, Dhaka 1000 | 20-Jun-10 |
| Uttara Branch | Uttara | House 11, Road 14D, Sector 4, Uttara, Dhaka 1230 | 23-Jun-10 |
| Kakrail Branch | Kakrail | 81, VIP Road, Kakrail, Dhaka 1000 | 24-Jun-10 |
| Elephant Road | New Elephant Road | Novera Square, House 05, Road 02, Dhanmondi, Dhaka 1205 | 24-Jun-10 |
| Mohakhali Branch | Mohakhali | Pacific Center, 14 Mohakhali C/A, Dhaka 1212 | 28-Jun-10 |
| Karwan Bazar | Karwan Bazar | BSEC Bhaban, 102 Kazi Nazrul Islam Avenue, Dhaka 1215 | 28-Jun-10 |
| Progoti Sharani Br | Progoti Sharani | N.R. Tower, 72 Progoti Sharani, Block-J, Baridhara Dhaka | 29-Jun-10 |
| Bahaddarhat | Bahaddarhat | Bismillah Complex, Arakan Road, Bahaddarhat, Chittagong 4323 | 29-Jun-10 |
| CDA Avenue | CDA | BMA Bhaban, 1367 CDA Avenue, East Nasirabad, Chittagong 4000 | 29-Jun-10 |
| Agrabad Branch | Agrabad | BCIC Sadan, 26, Agrabad C/A, Chittagong 4100 | 30-Jun-10 |
| Patherhat Branch | Patherhat | Khayez Shopping Center, Patherhat, Noyapara, Chittagong | 1-Jul-10 |
| Khatunganj | Khatunganj | 395, Khatunganj, Chittagong 4000 | 1-Jul-10 |
| Kalatoli | Cox's Bazar | Kalatoli, Hotel Motel Zone, Main Road, Cox's Bazar 4700 | 4-Jul-10 |
| Madhabdi Branch | Madhabdi | Parkashipur, Madhabdi Bazar, Narsingdi 1604 | 12-Jul-10 |
| Nazumeah Hat Branch | Nazumeah Hat | Burishchar, Kaptai Road, Hatazari, Chittagong 4330 | 12-Jul-10 |
| Khulna | Khulna | Mollick Shopping Complex Limited, 99 Khan A Sabur Road, Khulna 9100 | 12-Jul-10 |
| Bhairab Bazar | Bhairab Bazar | 248(W) Tin Potty, Bhairab Bazar, Bhairab, Kishoregonj 2350 | 13-Jul-10 |
| O.R. Nizam Road | CDA | 862/A, O.R. Nizam Road, Goal Pahar Circle, Chittagong 4000 | 13-Jul-10 |
| Brahmanbaria | Brahmanbaria | 1090/5321, Court Road, Brahmanbaria 3400 | 13-Jul-10 |
| Benapole Branch | Benapole | 607 Benapole, Local Bus Stand, Benapole, Jessore 7431 | 13-Jul-10 |
| C-EPZ Branch | C-EPZ | Bay Shopping Center, P.O: EPZ, South Halishahar P.S. Bandar, Chittagong 4100 | 14-Jul-10 |
| Chandpur | Chandpur | 123/115, Kalibari Pouro New Market, Chandpur Sadar, Chandpur 3600 | 14-Jul-10 |
| Satkhira Branch | Satkhira | 884/810, Abul Kashem Road, Satkhira 7431 | 14-Jul-10 |
| Naogaon | Naogaon | Mozaffer Hossain Marketing Complex, Main Road, Naogaon 6500 | 14-Jul-10 |
| Jessore Branch | Jessore | 38 M. K. Road, Jessore 7400 | 15-Jul-10 |
| Sirajganj Branch | Sirajganj | Friends Plaza, S S Road, Ward 1, Sirajganj 6700 | 15-Jul-10 |
| Midtown Shopping Mall | Mirpur | Plot 22, Main Road 03, Section-7, Pallabi, Mirpur, Dhaka 1216 | 17-Jul-10 |
| Saidpur Branch | Saidpur | 24, Nur Plaza, Ward 12, Shaheed Dr. Zikrul Haque Road, Saidpur, Nilphamari 5310 | 18-Jul-10 |
| Rajshahi Branch | Rajshahi | 102-103 Shaheb Bazar, Rajshahi 6000 | 21-Jul-10 |
| Pahartoli | Pahartoli | 825, Zakir Hossain Road, Amader Bari, Chittagong | 26-Jul-10 |
| Moulovi Bazar Branch | Moulovi Bazar | Shamsher Nagar Road, Choumuhana, Moulvibazar 3200 | 26-Jul-10 |
| Narayanganj Branch | Narayanganj | 109, B.B Road Narayanganj | 27-Jul-10 |
| Mymensingh Branch | Mymensingh | 52 Dr. Bipin Sen Road, Choto Bazar, Kotowali, Mymensingh 2201 | 27-Jul-10 |
| Comilla | Comilla | Mogholtooly Super Market, Mogholtooly Road, Comilla 3500 | 29-Jul-10 |
| Lohagara Branch | Lohagara | Sicho Shopping Complex, Padua, Lohagara, Chittagong 4397 | 3-Aug-10 |
| Teknaf Branch | Teknaf | Teknaf Main Road, Teknaf, Cox's Bazar 4760 | 15-Sep-10 |
| Sreemongol | Sreemongol | Aziz Super Market, Moulvibazar Road, Sreemongol, Moulvibazar 3210 | 15-Sep-10 |
| Imamganj | Imamganj | 40, Imamganj, Dhaka 1211 | 21-Sep-10 |
| Dhanmondi Branch | Dhanmondi | Plot: 45 (new) 286/B (old), Road: 16 (new) 27 (old) Dhanmondi R/A, Dhaka 1209 | 22-Sep-10 |
| Bangshal | North South Road | 9/1, North South Road, Bangshal, Dhaka | 26-Sep-10 |
| Khulshi | Khulshi | Khulshi House, Bungalow No. 2, B-2, Road 1, P.S.: Khulshi, Chittagong 4000 | 26-Sep-10 |
| Boroikandi | Boroikandi | Rongdhonu Biponi Bitan, 1st Floor, Central Bus Terminal Road, Verthokhola, Sylhet 3100 | 26-Sep-10 |
| Boalkhali Branch | Boalkhali | TCCA Complex, Gomdandi (East), Boalkhali, Chittagong 4366 | 27-Sep-10 |
| Momin Road | Andrekillia | 100, Momin Road, Chittagong | 31-Oct-10 |
| Fakirapool | Motijheel | 1/A, Fokirapool D.I.T Ext. Road, Dhaka | 4-Nov-10 |
| Shantinagar | Kakrail | Eastern Point, 8-9, Shantinagar, Dhaka | 4-Nov-10 |
| Tajmahal Rd. | Dhanmondi | 3/4, Block - C, Taj Mahal Road, Mohammadpur Dhaka 1207 | 7-Nov-10 |
| Malibag | Kakrail | 480, D.I.T Road, Malibag, Dhaka | 10-Nov-10 |
| Arakan Road | Bahaddarhat | 957/1553, Arakan Road, Bahadarhaat | 11-Nov-10 |

AB Bank Limited ATM Network

| ATM Name | ATM Branch Name | ATM Booth Address | Live Date |
|--------------------------|-------------------|--|-----------|
| Rangpur | Rangpur | 91-92, Central Road, Kotowali, Rangpur (Opposite of Rangpur Bangladesh Bank) | 11-Nov-10 |
| Kamlapur | Principal | 14-15, North Kamlapur, Dhaka | 28-Nov-10 |
| Viyellatex | Board Bazar | Viyellatex-76/B, Satair Rs-Khototil, Gazipura Bus Stand | 28-Nov-10 |
| Dinajpur Branch | Dinajpur | 189, Zabed Super Market, Bahadur Bazar, Dinajpur | 29-Nov-10 |
| Mordern More | Dinajpur | Modern More, Ganeshtala, Dinajpur | 29-Nov-10 |
| Bonosree | Progoti Sharani | House-35, Road-2, Block-C, Bonosree, Rampura, Dhaka | 1-Dec-10 |
| Kushtia Branch | Kushtia | Serajuddowla Road, Al Amin Super Market, Kushtia | 2-Dec-10 |
| Mirpur 1 | Mirpur | House-2, Road-6, Block-F, Muktijoddah market, Mirpur, Dhaka | 7-Dec-10 |
| Proshika More | Mirpur | Plot-33, Lane-1, Block-B, Section-6, Mirpur, Dhaka | 7-Dec-10 |
| Keranigonj | Jinjira | Chowrasta, Bishwa Road, Keranigonj, Dhaka | 8-Dec-10 |
| Sabujbagh | Principal | 78(O), 25(N), Sabujbagh, Biswa Road, Dhaka | 12-Dec-10 |
| Nawabpur | Nawabpur | Bakultala Complex, Folder Street, Nawabpur, Dhaka | 13-Dec-10 |
| Wari | Nawabpur | 216, Nawab Street, Wari, Dhaka | 13-Dec-10 |
| Station Road | Sreemongol | Kutum Bari, Station Road, Sreemongol | 21-Dec-10 |
| Chowhatta | Dargahgate | Firoj Tower, Chawhatta, Sylhet | 22-Dec-10 |
| Mira Bazar | Garden Tower | Tamabil Road, East Mira Bazaar, Sylhet | 22-Dec-10 |
| Amtola | Sathkhira | Amtola, In front of Zilla School, Sathkhira Sador, Sathkhira | 22-Dec-10 |
| Naya Bazar | Islampur | Nawab Yousuf Super Market, Naya Bazar, Old Town, Dhaka | 23-Dec-10 |
| Patrail | Tangail | Patrail, Deldura, Tangail | 23-Dec-10 |
| Dream Plaza | Jessore | Dream Plaza, 37, Hadi Md Mohsin Road, Jessore | 23-Dec-10 |
| Malibag Branch | Malibag | Advanced Melinda (Level-1), 72 Malibag, Dhaka 1219 | 27-Dec-10 |
| Shyamoli Branch | Shyamoli | Shymoli Square, 23/8 - B & C, Block - B Khilji Road, Dhaka 1207 | 27-Dec-10 |
| New Eskaton | Karwan Bazar | 94, New Eskaton Road, Romna, Dhaka 1000 | 28-Dec-10 |
| Panthapath | Karwan Bazar | 89/2, West Panthapath, Dhaka 1215 | 28-Dec-10 |
| Feni Branch | Feni | Haque Plaza(1st Floor), 193 SSK Road, Feni | 28-Dec-10 |
| Royal More | Khulna | Royal More, Khulna | 28-Dec-10 |
| Rajshahi Medical College | Rajshahi | Rajshahi Medical College, Rajshahi | 28-Dec-10 |
| Chakaria Branch | Chakaria | M. Rahman Complex (1st Floor), Ward 4, Chakaria, Cox's Bazar | 29-Dec-10 |
| Old Sathkhira | Sathkhira | Puratan Sathkhira Bazar, Asha Suni Road, Sathkhira Sador, Sathkhira | 29-Dec-10 |
| Chapai Nawabganj | Chapai Nawabganj | 16, Godagari Road, Chapai Nawabganj | 29-Dec-10 |
| Puradah | Kushtia | Khan Super Market Puradah, Kushtia | 30-Dec-10 |
| Islampur (Gandaria) | Islampur | 56, Haricharan Roy Road, Faridabad, Dhaka | 2-Jan-11 |
| Madhabpur Branch | Madhabpur | Munshi Tower (1st Floor), Ward 7, Madhabpur, Habiganj | 3-Jan-11 |
| Thanar More | Kushtia | N.S Road, Thanar More, Kushtia | 4-Jan-11 |
| Dewanbazar | Chawk Bazar | 82, Nawab Sirajuddowla Road, Chawkbazar, Chittagong | 13-Jan-11 |
| Uttara 3 | Uttara | House-37, Road-7, Sector-3, Uttara, Dhaka 1230 | 16-Jan-11 |
| Farmgate | Karwan Bazar | 71-75, Kazi Nazrul Islam Avenue, Farmgate, Dhaka 1215 | 16-Jan-11 |
| Shewrapara | Rokeya Sharani | 820, West Shewrapara, Rokeya Sharani Road, Dhaka | 17-Jan-11 |
| Shi'ah Mosque | Shyamoli | Shi'ah Mosque, House-16, Road-1, Mohammadpur, Dhaka 1207 | 18-Jan-11 |
| Patuatoli | Islampur | 28, Patuatuli, Hazi Nur Mohammad Road, Dhaka | 19-Jan-11 |
| Zinda Bazar | VIP Road | Blue Water Shopping Complex, Zinda Bazaar, Sylhet | 19-Jan-11 |
| Saidabad | Principal | 17/A, North Saidabad Jatrabari, Dhaka | 20-Jan-11 |
| Jhinaidah | Kushtia | Jhinaidah Road, M. A Razzaq, Kushtia | 25-Jan-11 |
| Prince Plaza | Dhanmondi | 4/2, Prince Plaza, Sobhanbag, Mirpur Road, Dhaka | 5-Feb-11 |
| Monipuripara | Rokeya Sharani | 20/1, Monipuripara (Sangshad Avenue), Dhaka | 5-Feb-11 |
| Bijoy Sharoni | Karwan Bazar | 242/1/B, Bijoy Sharani Link Road, Tejgaon, Dhaka | 6-Feb-11 |
| Khilgoan | Malibag | 425/C, Khilgaon, Dhaka | 8-Feb-11 |
| AK Plaza | Uttara | A.K Plaza, Plot-1, Road-1/B, Sector-9, Uttara, Dhaka 1230 | 23-Feb-11 |
| Bandura Branch | Bandura | Bandura Government Super Market, Nawabgonj, Dhaka | 23-Feb-11 |
| Concord Arcadia | New Elephant Road | Concord Arcadia, Plot-122, Road-4, Dhanmondi, Dhaka | 3-Mar-11 |
| Pagla Branch | Pagla | DN Road Pagla, Fatullah, Narayanganj | 5-Apr-11 |
| Sitakunda | Sitakunda | Aziz Shopping Complex, Sitakunda, Chittagong | 10-Apr-11 |
| Foy's Lake | Khulshi | Concord Amusement World, Foy's Lake, Khulshi, Chittagong | 11-Apr-11 |
| Lama Bazar | VIP Road | VIP Road, Lama Bazar, Sylhet | 11-Apr-11 |
| Rina Monjil | Jessore | 69, Central Jail Road, Jessore | 11-Apr-11 |
| Gowsul Azam | Uttara | Gowsul Azam Avenue, House-57, Sector-14, Uttara, Dhaka 1230 | 27-Apr-11 |
| Jhikargacha Branch | Jhikargacha | Hanif Super Market, Jhikargacha | 27-Apr-11 |
| Baridhara 1 | Gulshan | Baridhara Parishad Office, Baridhara DOHS, Road # 5, Opposite to CSD, Dhaka | 8-May-11 |
| Baridhara 2 | Gulshan | Baridhara Parishad Office, Baridhara DOHS, Road # 5, Opposite to CSD, Dhaka | 8-May-11 |
| Subid Bazar | Dargahgate | Indiana Height, Subid Bazar, Sylhet | 8-May-11 |
| Pall Bari | Jessore | Pallbari Circle, Beside Royal Community Center, Jessore | 9-May-11 |

AB Bank Limited ATM Network

| ATM Name | ATM Branch Name | ATM Booth Address | Live Date |
|---------------------------|-------------------|--|-----------|
| Pilkhana | New Elephant Road | 57, Azimpur Pilkhana Road, Opp-Thana Education Office, Dhaka | 12-May-11 |
| Mohakhali Amtola | Mohakhali | Mohakhali, H-39, Under Mohakhali Fly Over, Zia International Airport Road, Mohakhali, Dhaka | 16-May-11 |
| Zigatola | New Elephant Road | House-43/3/2, Zigatola, Dhanmondi, Dhaka | 16-May-11 |
| Bokshi Bazar | North South Road | Bokshi Bazar, City Corpration Market, Dhaka Medical College, Dhaka | 17-May-11 |
| Pabna | Pabna | AR.Plaza, Ground Floor, Abdul Hamid Road, Pabna | 23-May-11 |
| Tanbazar | Narayanganj | 56, SM Maleh Road, Al Jaynal plaza, Tanbazar, Narayanganj | 29-May-11 |
| Khanpur Puro Market | Narayanganj | 8, Khanpur Puro Market, Hospital Market, Narayanganj | 1-Jun-11 |
| Monipuripara 2 | Karwan Bazar | Lion's Shopping, Old Airport Road, Monipuripara, Dhaka | 2-Jun-11 |
| Gabtolli | Shyamoli | 86, 1st Colony, Mazar Road, Near of Cement House, Gabtolli, Mirpur, Dhaka | 2-Jun-11 |
| Mojumdar Merket | Feni | Mojumdar Merket, Sadar Hospital Road, Feni | 2-Jun-11 |
| Chalkbazar | Imamganj | 18/1, Water Works Road, Dal Potti, Chalkbazar, Dhaka | 6-Jun-11 |
| Ashuganj | Ashuganj | SA Plot-10 & 12, Main Road, Ashuganj City | 14-Jun-11 |
| Mogbazar | Malibag | 63/Ka, Magbazar More, Dhaka | 18-Jun-11 |
| Shib Bari | Khulna | B7, Mojit Sharani, Shib Bari, Khulna | 27-Jun-11 |
| Bar House | Jessore | District Judge Court Bar Associatio (Bhaban No-1), Near Jessore Municipal Eid Ghah Moidan), Mudjib Sarak, Jessore | 29-Jun-11 |
| Nathullabad | Barisal | Nathullabad Bus Stand, Barisal | 4-Jul-11 |
| Launch Ghat | Barisal | Barishal Launch Ghat, Barisal | 4-Jul-11 |
| Grand Huq Tower | Feni | 457-458, Grand Huq Tower, Mizan Road, Feni | 21-Jul-11 |
| VIP Tower | Jublee Road | VIP Tower, Kazir Dewri, Chittagong | 24-Jul-11 |
| Dostagir Center | Dewan Hat | 31, Dostagir Center, D.T Road, Chittagong | 24-Jul-11 |
| Tajpur | Tajpur | Kazi Mansion, Dhaka-Sylhet High Way, Kadamtola, PO-Tajpur, PS-Osmaninagar, Sylhet | 24-Jul-11 |
| Al-Hasan Hotel | Khulna | 144, Sir Iqbal Raod, Khulna | 25-Jul-11 |
| United Tower | Khulna | 4 KDA, Khulna | 25-Jul-11 |
| Kaderabad Housing Society | Dhanmondi | 41/A, Kaderabad Housing Society, Katasur, Mohammadpur, Dhaka | 30-Jul-11 |
| Lalbag | New Elephant Road | 15, Lalbag Road, Lalbag Kella, Dhaka | 30-Jul-11 |
| Baipail | Savar | Other Side of Ashulia Thana (Baipail Police Station, Near Baipail Mosque), RS Plot No-181, Dhamsona, Ashulia, Savar, Dhaka | 30-Jul-11 |
| Boro Moghbazar | Malibag | 625 Boro Moghbazar, Nayatola, (Opposite Red Cr. Society) | 31-Jul-11 |
| BRRRI | Board Bazar | Krishi Gobesona Institute, 58/1-58/2 Laksmipura, Chandra, Gazipur | 31-Jul-11 |
| Kaliakair Super Market | Chandra | Kaliakair Super Market, Kaliakair Bazar Bus Stand, PO-Kaliakair Bazar, PS-Kaliakoir, Gazipur | 31-Jul-11 |
| Konabari Bus Stand | Chandra | Konabari Bus Stand, Gazipur, Plot No A-146 & A-147(p) Block Chemical, BSCIC, Konabari ,Gazipur. | 31-Jul-11 |
| Chandra Chawrasta | Chandra | Ma-Amina Shopping Complex, Holding No.-55, Dyenkini, Kaliakoir, Gazipur (Chandra Chawrasta, Gazipur) | 31-Jul-11 |
| Polton Tower | Motijheel | Shop No-11, Box Kalbart Road, 87 Purna Polton Road, Polton Tower, Polton, Dhaka M.H Tower, Vogra , Gazipur | 3-Aug-11 |
| Vogra | Board Bazar | Shah Amanat Shopping Complex, Plot No. 12/A, Block-G, Road-1, Lane-2, | 3-Aug-11 |
| PCR Road | PCR | Hali Shahar Housing Estate, Holding No-2113/A, Rampur, Chittagong | 17-Aug-11 |
| Uttara 14 | Uttara | House-20, Road-12, Sector-14, Uttara, Dhaka | 23-Aug-11 |
| Khilkhet | Progoti Sharani | Concord Lake city, Holding No. Kha-94/3, Khilkhet, Dhaka | 25-Aug-11 |
| Ashkuna | Uttara | Hazi Supper Market, Holding No. 2522, Ashkuna, Uttara, Dhaka | 25-Aug-11 |
| Green Road | New Elephant Road | 144, Green Road, Dhaka | 25-Aug-11 |
| Kochukhet | Rokeya Sharani | 234/6, Kochukhet, Mirpur | 25-Aug-11 |
| Jublee Road | Jublee Road | 175, Jubilee Road, Enayet Bazar, Chittagong | 7-Sep-11 |
| Mukda Para | Malibag | 111/C, North Mukda Para, Sabujbagh, Dhaka | 9-Sep-11 |
| Indira Road | Karwan Bazar | 26, Indira Road, Farmgate, Dhaka | 19-Sep-11 |
| Mirpur 12 | Mirpur | Plot No-17, Road No-02, Block No-E, Section No-12, Rupnagar R/A, Mirpur Housing Estate, Mirpur, Dhaka | 20-Sep-11 |
| Uttara 7 | Uttara | Plot-89, Road-28, Sector-07, Uttara, Dhaka | 26-Sep-11 |
| Navaron | Benapole | Navaron Bazar, Sharsha, Jessore | 2-Oct-11 |
| Kadirganj | Rajshahi | 97, Kadirganj, Dorikhorbona, Greater Road, Rajshahi | 2-Oct-11 |
| Brac Shoping | Uttara | Shop No-111, Brac Shopping Centre, Faidabad, Azampur, Uttara, Dhaka | 11-Oct-11 |
| Mirpur 10 | Rokeya Sharani | 1247, Rokeya Sarani, Near Mirpur-10, Mirpur, Dhaka | 18-Oct-11 |
| Uttara | Uttara | Plot-05, Rana Bhola Road, Sector-10, Uttara, Dhaka | 25-Oct-11 |
| Notun Bazar | Mymensingh | 25, Kali Sankar Guha Road, Notun Bazar, Mymensingh | 26-Oct-11 |
| Nawabgonj | Bandura | Kashimpur, Nawabganj, Bandura, (Nearer to Upazila Parisad), Dhaka | 20-Nov-11 |
| Chaumuhani | Chaumuhani | Feni Road, Chaumuhani, Noakhali | 22-Nov-11 |

AB Bank Limited ATM Network

| ATM Name | ATM Branch Name | ATM Booth Address | Live Date |
|----------------------------|-------------------|---|-----------|
| Segunbagicha | Kakrail | 42/1Kha, Segunbagicha, Ramna, Dhaka | 23-Nov-11 |
| Kalachandpur | Progoti Sharani | Ka/12, Kalachandpur, Baridhara, Gulshan, Dhaka | 23-Nov-11 |
| Amirabad | Lohagara | Best Chowdhury Plaza, Amirabad, Lohagara, Chittagong | 23-Nov-11 |
| Fantasy Kingdoom | Savar | SA Plot No-193, (Near to Fantasy Kingdoom) Diakhali, Jamgora, Ashulia, Dhaka | 24-Nov-11 |
| MDC Square | Chawk bazar | MDC Square, Chawkbazar | 30-Nov-11 |
| Doymair Bazar | Tajpur | Osmany Shopping Center, Doyamir Bazar, Balaganj, Sylhet | 30-Nov-11 |
| Sutrapur | Nawabpur | 95/4, Distillery Road, Sutrapur, Dhaka | 8-Dec-11 |
| Bandar | C-EPZ | RSA Complex, South Halishahar, BS Plot No.-8098, Bandar, Chittagong | 13-Dec-11 |
| Rampura | Kakrail | City Corporation Holding No 1, East Rampura, Dhaka | 14-Dec-11 |
| Tongi | Uttara | Sena Kalyan Commercial Complex, Plot No. 9/F, Tongi, Gazipur | 14-Dec-11 |
| Dhanmondi | Dhanmondi | Block-C, Plot No-251/F, Road No-22, Plot No. 60/A (New), Road No. 12/A (New), Dhanmondi R/A, Dhaka | 15-Dec-11 |
| Gulshan Link | Gulshan | TA-137/1, Gulshan Link Road, Dhaka | 20-Dec-11 |
| Dakhinkhan | Uttara | House-12, Ward-4, Dakhinkhan, Dhaka | 20-Dec-11 |
| Sutrapur (RM Das) | Nawabpur | Holding No-108, R M Das Road, Sutrapur, Dhaka | 22-Dec-11 |
| Jatrabari | Principal | Holding No-102/1, Sahid Faruk Road, South Jatrabari, Dhaka | 27-Dec-11 |
| Lalmatia | Dhanmondi | House-B/20, Block-E, Zakir Hossain Road, Lalmatia, Dhaka | 27-Dec-11 |
| Rupnagar | Mirpur | House-57, Road-22, Rupnagar R/A, Mirpur, Dhaka | 27-Dec-11 |
| Sandwip | Sandwip | Sandwip City Center, Haramia, Sandwip, Chittagong | 27-Dec-11 |
| Sutrapur | Principal | 29/5, K.M Das Lane, Sutrapur, Dhaka | 28-Dec-11 |
| Comilla | Comilla | SA Plot No-634, Shashangacha, Badsha Miar Bazar, Kowtali, Comilla | 28-Dec-11 |
| Gulshan | Mohakhali | Block-B, House-50, Road-3 Avenue Road-1, Niketan, Gulshan 1 | 29-Dec-11 |
| Banani | Gulshan | House-50, Road-11, Block-C, Banani, Dhaka | 12-Feb-12 |
| New Elephant Road | New Elephant Road | House-234/1, New Elephant Road, Dhaka | 16-Feb-12 |
| Ring Road | Shyamoli | KPBL Chayapath, House No.16/A/6, Ring Road, Near By Japan Garden City, Mohammadpur, Dhaka | 16-Feb-12 |
| Adabar Bazar | Shyamoli | House-32/1/A North Adabar, Mohammadpur, Dhaka | 19-Feb-12 |
| Darus Salam Station | Shyamoli | 59/D, Darus Salam, Mirpur Road, Dhaka | 19-Feb-12 |
| Nikunja 2 | Progoti Sharani | Plot No-06, Road No-01, Nikunja 2, Dhaka | 22-Feb-12 |
| Simanta Square | New Elephant Road | Simanta Square Market Premises, Pilkhana, Dhaka | 23-Feb-12 |
| Gopibagh | Principal | 1/A Gopibagh, 1st Lane, Dhaka 1203 | 26-Feb-12 |
| Tejture bazar | Karwan Bazar | 37, East Tejture bazar, Farmgate, Dhaka 1215 | 29-Feb-12 |
| Nazim Uddin Road | Imamganj | 1/2, Nazim Uddin Road, Dhaka | 1-Mar-12 |
| Bashundhara city | Karwan Bazar | Bashundhara city, Panthapath, Level-7, Dhaka | 21-Mar-12 |
| Sony Cinema | Mirpur | Crescent Homes, 150/1, Shah Ali ba, Mirpur 1, Dhaka | 26-Apr-12 |
| South Basabo | Motijheel | 445, Sabujbagh, South Bashbo, Sabujbagh, Dhaka | 7-May-12 |
| Shahjahanpur | Motijheel | 714/1, Uttar Shahjahanpur, Dhaka. | 9-May-12 |
| Lake Drive Road | Uttara | Plot No-19, Lake Drive Road, Sector 07 Uttara, Dhaka | 16-May-12 |
| Lucas More | Karwan Bazar | 115 West Nakhhalpara, Tejgaon, Dhaka | 24-May-12 |
| Sadar Road | Barisal | 45, Sadar Road, Barisal | 29-May-12 |
| Medda Bazar | Brahmanbaria | Municipal Holding No 345/338, Medda Bazar, Brahmanbaria | 30-May-12 |
| Doylar More | Naogaon | Municipal Holding No 1952, Chawk Enayet, Naogaon | 30-May-12 |
| NICVD | Shyamoli | NICVD, Sher-e-Bangla Nagar, Dhaka | 3-Jun-12 |
| PC Culture Housing Society | Shyamoli | House 23, Road 10, Block Kha, PC Culture Housing Society, Mohammadpur, Dhaka | 14-Jun-12 |
| Narinda | North South Road | 98/1, Bhagabath Shah Sanka Nidhi Lane, Narinda Road, Gandaria, Dhaka | 9-Jul-12 |
| Naz Garden | Bogra | Plot No 1668, Hotel Naz Garden, Selimpur, Bogra | 15-Jul-12 |
| Comilla | Comilla | 333, Jhawtala, Comilla | 30-Jul-12 |
| Training Academy | New Elephant Road | 719, (old) Satmasjid Road, Dhanmondi R/A, Dhaka 85/A, (New) M R Akhter Mukul Sarak, Dhanmondi R/A, Dhaka | 31-Jul-12 |
| Malibagh Chowdhury Para | Malibag | 577, Malibagh Chowdhury Para, Dhaka | 10-Sep-12 |
| Satmosjid Road | Dhanmondi | Block-E, Plot No-Gha/13, Mohammadpur Housing Estate, Mohammadpur, Dhaka | 1-Oct-12 |
| West Panthapath | Karwan Bazar | 20/3, North Dhanmondi (old), Bir Uttam Kazi Nuruzzaman Sarak (New), West Panthapath, Dhaka 1205 | 15-Nov-12 |
| Asad Avenue | Shyamoli | Mohammadpur Housing Estate, Plot No.-71/C, Block -D Mohammadpur, Dhaka | 20-Nov-12 |
| Cox's Bazar | Cox's Bazar | Digonta Complex (New Market), Bazar Ghata, Cox's Bazar | 6-Dec-12 |
| Mirpur, BART | Rokeya Sharani | Plot-30, Main Road-01, Section-10, Mirpur, Dhaka | 13-Dec-12 |
| Bonosree Main Road | Malibag | B/4, Block-B, Main Road, Bonosree, Dhaka | 23-Dec-12 |
| Hobigonj Branch | Hobigonj | Sayestagonj Main Road, Hobigonj | 30-Dec-12 |
| Middle Badda | Progoti Sharani | Gha-131/1, Middle Badda, Dhaka | 27-Jan-13 |
| Rayer Bazar | Dhanmondi | 15, Sultangonj, Rayer Bazar, Dhaka | 28-Jan-13 |
| East Dargahgate | Dargahgate | 5222, East Dargahgate, Sylhet | 28-Jan-13 |
| Comilla Road | Chandpur | 56, Comilla Road, Chandpur | 29-Jan-13 |
| Mohakhali | Mohakhali | G-37, Wireless Gate, Dhaka | 6-Mar-13 |

AB Bank Limited SME Centers

| SL No | Branch Name | Address | Date of Opening |
|--------------------------|------------------------------|--|-----------------|
| Dhaka Region | | | |
| 1 | Principal Branch SME Center | 30-31, Dilkusha C/A, Dhaka | 29-Mar-09 |
| 2 | Islampur SME Center | 38-39, Islampur, Dhaka | 30-Mar-09 |
| 3 | Kakrail SME Center | 81, VIP Road, Dhaka - 1000 | 30-Apr-09 |
| 4 | New Elephant Road SME Center | Novera Square, House 05, Road 02, Dhanmondi, Dhaka 1205 | |
| Chittagong Region | | | |
| 1 | Agrabad SME Center | BCIC Sadan, 26, Agrabad C/A, Chittagong | 30-Dec-09 |
| 2 | Anderkilla SME Center | K.M.C. Tower (1st Floor), 133, Anderkilla, Chittagong | 30-Dec-09 |
| 3 | CDA Avenue SME Center | BMA Bhaban (Ground Floor), 1367 CDA Avenue, East Nasirabad, Chittagong | 30-Dec-09 |
| 4 | Jubilee Road SME Center | 175, Jubilee Road, Enayet Bazar, Chittagong | 30-Dec-09 |
| Sylhet Region | | | |
| 1 | Garden Tower SME Center | Biswa Road, Shahjalal Uposhohor Point, Sylhet 3100 | 05-Apr-09 |
| Khulna Region | | | |
| 1 | Khulna SME Center | Mollick Shopping Complex Limited, 99 Khan A Sabur Road, Khulna | 20-Dec-09 |
| Rajshahi Region | | | |
| 1 | Bogra SME Center | 324, Kazi Nazrul Islam Sarak, Jhawtala, Bogra | 20-Jul-09 |

AB Bank Limited

Corporate Profile

Name of the Company

AB Bank Limited (ABBL)

Legal Form

Public Limited Company

Date of Incorporation

31st December 1981

Commencement of Business

27th February 1982

Registered Office

BCIC Bhaban, 30-31, Dilkusha C/A
Dhaka 1000, Bangladesh

GPO Box: 3522

Telephone: (+8802) 956 0312

Telefax: (+8802) 956 4122-23

SWIFT Code: ABBLBDDH

E-mail: info@abbl.com

Web Page: www.abbl.com

Dhaka Regional Office-01

BSEC Bhaban
102 Kazi Nazrul Islam Avenue
Dhaka 1215
Tel: (+8802) 8117598-9, 8112253, 8112251
E-mail: kwrnmg@abbl.com

Dhaka Regional Office-02

House 11, Road 14D
Sector 4, Uttara, Dhaka
Tel: (+8802) 8918758, 8922253, 8919865
Fax: (+8802) 8921566
E-mail: uttrmg@abbl.com

Chittagong Regional Office-01

Spencers Building, 26 Agrabad C/A,
Chittagong
Tel: (+88031) 713381-83, 713385-86
Fax: (+88031) 713384
E-mail: agrmg@abbl.com

Authorized Capital: Tk. 600 crore

Paid-up Capital: Tk. 442 crore

Number of Shareholders: 112,772

(Record Date: 30.04.2013)

For any Clarifications on this Report
Please Write to:
The Company Secretary
Head Office
AB Bank Limited
30-31 Dilkusha C/A, Dhaka- 1000

Chittagong Regional Office-02

395, Khatunganj, Chittagong
Tel: (+88031) 611035-6, 630423
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Sylhet Regional Office

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Biswa Road, Shahjalal Uposhohor Point
Sylhet 3100
Tel: (+880821) 725042, 815085
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E-mail: gdnt@abbl.com

Khulna Regional Office

Mollick Shopping Complex Limited
99 Khan A Sabur Road, Khulna
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E-mail: khlnmg@abbl.com

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AB Bank Limited, Islami Banking Branch

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E-mail: ibb@abbl.com.bd

Custodian Services

BCIC Bhaban (7th Floor)
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Dhaka 1000, Bangladesh
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7177047
Fax: (+8802) 7160592
SWIFT: ABBLBDDH005
E-mail: custodian@abbl.com

Off-shore Banking Unit (OBU)

Bay Shopping Centre, P.O. EPZ
South Haliashahar, P.S. Bandar, Chittagong
Tel: (+88031) 740604
Fax: (+88031) 741150

Total Manpower: 2,070

Number of Branches: 87

Number of SME Centers: 11

Auditors

S. F. AHMED & CO
Chartered Accountants

OVERSEAS BRANCH

Mumbai Branch

Liberty Building
41-42, Sir Vithaldas Thackersey Marg,
New Marine Lines, Mumbai 400020, India
Tel: (+91) (22) 22005392-3
Fax: (+91) (22) 22005391
SWIFT: ABBLINBB
E-mail: mumbai@abbl.com

SUBSIDIARY COMPANIES

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AB Exchange (UK) Ltd.

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AB Investment Limited (ABIL)

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CashLink Bangladesh Limited (CBL)

BCIC Bhaban (9th Floor)
30-31, Dilkusha C/A, Dhaka 1000
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Fax: (+8802) 9570635

Arab Bangladesh Bank Foundation (ABBF)

BCIC Bhaban (9th Floor)
30-31, Dilkusha C/A
Dhaka 1000, Bangladesh
Tel: (+8802) 9553939
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E-mail: abbf@abbl.com

Total Asset: Tk. 17,384 crore

Earnings per Share (EPS): Tk. 3.25

Net Asset Value per Share: Tk. 36.25

Market Capitalization: Tk. 1,491 crore

Rating Agency

Credit Rating Agency
of Bangladesh Ltd. (CRAB)



AB Bank Limited

Corporate Office: BCIC Bhaban, 30-31 Dilkusha C/A
Dhaka 1000, Bangladesh, www.abbl.com